FINANCIAL TIMES

Start the week with...

European cinema

Hollywood moves to Potsdam

Page 19

Middle East

Mubarak fears a backlash

Interview, Page 14

Russian capitalism

Golden fish turns into a shark

Page 2

World Business Newspaper http://www.FT.com MONDAY FEBRUARY 16 1998

WORLD NEWS

Mubarak heads Arab diplomatic initiative to restrain Saddam

President Hosni Mubarak of Egypt is leading an Arab diplomatic initiative to persuade Saddam Hussein, the Iraqi leader, to step back from the brink and avert US and British air strikes. Page 16; Clinton bid to win support, Page 3; Sounding the alarm, Page 14

80 killed in India bombing
India's police and paramilitary forces were on high alert on the eve of polling in the country's general elections after weekend bomb blasts killed more than 80 people. Page 16; BJP looks to allies, Page 4; India's party guests, Page 15

S Korea approves reforms
South Korea's parliament approved reforms expected to promote industrial restructuring and encourage foreign investment in the country. Page 4

Clerides leads Cypriot poll
Some 450,000 Greek Cypriots voted in a run-off poll for a new president, with opinion appearing to favour the incumbent Glafkos Clerides. Page 2

Algeria rebels kill 36
Suspected Moslem rebels killed 36 Algerian civilians in attacks that coincided with a military offensive against rebels on the outskirts of Algiers. Page 2

New Basque leaders elected
Herri Batasuna, the radical Basque movement, has elected a new leadership to replace the one jailed by Spain's supreme court in December. Page 2

German 'shame' on debt relief
Christian Aid, the UK aid charity, plans to shame the German government into improving debt relief for poor countries. Page 6

Serbs give themselves up
Two Bosnian Serbs became the first war crimes suspects from the Serb-controlled half of Bosnia to surrender for trial by the United Nations tribunal in The Hague. Page 2

Quebec secession hearing
Canada's Supreme Court will today hear arguments in a proceeding to determine whether Quebec has the right to secede unilaterally. Page 5

UK reaffirms Montserrat ties
There was "no wish, no intention, no secret plan" to abandon Montserrat, Robin Cook, UK foreign secretary, said during a visit to the island. Page 6

Pardons 'not a ploy'
Roberto Robaina, Cuban foreign minister, said Cuba's decision to free 300 prisoners was not meant as a bargaining ploy to ease the US economic embargo. Page 2

Nasa to record sounds of Mars
Nasa is to plant a microphone on Mars next year to transmit the sounds of wind, dust-storms, and electrical discharges in the planet's atmosphere.

Mice with regenerative powers
US scientists have identified a breed of mouse that can regrow the end of their tails and other tissues. Page 5

Warning on gene project
The Human Genome Project, the attempt to analyse the human genetic inheritance, is in danger of fostering a new form of eugenics, a US biologist told the American Association for the Advancement of Science. Page 5

Pulp friction over fruit dearth
A pineapple shortage could shake things up in the world's cocktail bars. Supplies are falling and prices rising, with processors estimating juice concentrate will be $1,750 a tonne by the end of 1998, a rise of 35 per cent in less than two years. Page 16

BUSINESS NEWS

Monti warns monetary union could unleash protectionism

The European single currency could unleash protectionism among EU member states if governments do not eradicate remaining barriers to the free flow of goods and services, warned single market commissioner Mario Monti. Page 2

Suez Lyonnaise des Eaux of France and Thames Water International of the UK, water management companies, have taken over the water utility of Indonesian capital Jakarta. Page 19

Arthur Andersen and sister firm Andersen Consulting's dispute has moved to a US federal court in New York in the latest twist in their bitter divorce. Page 19

National Westminster Bank of the UK plans to strengthen its board with new non-executive directors, including Lord Blyth, chief executive of retailer Boots, when it announces its results next week. Page 18; Lex, Page 16

Spain's government is preparing to sell its 52 per cent stake in tobacco products operation Tabacalera in a Pta275bn ($1.7bn) public offer scheduled for April. Page 17

Heron International, European property group headed by Gerald Ronson, has arranged a £90m ($145m) loan facility to finance three development projects in the City of London. Page 6

European companies with operations in China have generally overestimated the market's size and performed worse than expected, according to a new survey of European investment there. Page 2

Imperial Chemical Industries is planning to sell its 32 per cent stake in UK soccer club Middlesbrough as part of £5bn ($8.3bn) disposals this year. Page 18

US investors are displaying a sharp rise in interest in the potentially lucrative returns from east European venture capital funds. Page 17

Germany's small and medium businesses are unprepared for the introduction of Emu and pessimistic about its effects, says a new report. Page 2

Columbia/HCA, biggest hospital group in the US, made a $1.29bn after-tax loss in final quarter of last year. Page 17

PolyGram is expanding its film interests by investing in a new production company founded by *Ghostbusters* director Ivan Reitman and former senior Universal executive Tom Pollock. Page 19

Hydro-Quebec, one of North America's largest utilities, is targeting investment opportunities in Latin America and Asia and has joined a Canadian workers' fund to invest C$1.5bn over the next five years. Page 18

UEM, Malaysian toll-road operator, has got shareholder approval for the controversial purchase of a 32.6 per cent stake in its parent, Renong. Page 19

Mexico is celebrating victory in a rancorous trade fight over corn brooms, which has tested the terms of the North American Free Trade agreement. Page 5

Jollibee, Philippine hamburger chain, has shrugged off the effects of the Asian crisis, predicting a 20 per cent jump in 1998 profits. Page 18

Emerson Electric, US electronics group trying to take full control of UK concern Astec (BSR), is expected to face legal action from at least six UK institutional investors. Page 17

Indonesian leader sticks to currency plans despite Camdessus letter

IMF warns Suharto it may cancel $43bn rescue

By Sander Thoenes in Jakarta

The International Monetary Fund has told President Suharto that it will pull out of a $43bn rescue package for Indonesia if he presses ahead with his plan to peg the rupiah to the dollar.

In spite of the IMF's tougher position, however, the defiant Indonesian leader at the weekend was sticking to his plan to create a currency board, which he announced last week to almost universal disapproval. US President Bill Clinton expressed his concern to Mr Suharto in a telephone call on Friday.

A currency board would introduce a fixed exchange rate for the rupiah against the dollar and, in effect, suspend monetary policy. The board would be able to issue currency only when it received dollars at the fixed rate.

IMF officials confirmed reports that Michel Camdessus, the fund's managing director, wrote last week to warn Mr Suharto that, if he went ahead, the IMF would withdraw its backing for the aid package, which includes $5bn from the government's own resources.

Prabhakar Narvekar, an IMF consultant who met Mr Suharto on Friday, said: "My impression is that he is still very favourably disposed to it." He said, however, that the president had not mentioned a date for introduction of a currency board.

Steve Hanke, the US economist who persuaded Mr Suharto to move ahead with a currency board, said: "We anticipate it will go forward without any problem, unless the IMF can come up with a better alternative."

Mr Hanke, who flew to Jakarta at the weekend, said the Indonesian president appeared committed to his plan. "He is an old soldier," he said. "He knows what it is like if you are in a foxhole and you have 500 people coming at you and you are out of ammunition."

Indonesian officials and many analysts have said Indonesia cannot sustain a currency board without the stand-by credits of the IMF package to back its $17bn currency reserve.

Street trouble: residents of the Indonesian town of Ciasem, West Java, fight over a crate of bottled tea as they carry away goods looted from a shop during weekend riots sparked by rising prices Picture: Reuters

Mr Hanke would neither confirm nor deny that. He said he believed some Japanese and German banks supported his proposal, but their governments are believed to back the IMF.

The most urgent reason for a currency board is to enable the government to continue importing and subsidising rice, sugar, milk and stove fuel – all of which have become scarce and shot up in price – and thus avert more social unrest in the country, where food riots have been spreading fast.

Fighting was reported in eight cities on Friday, followed by weekend unrest on the islands of Lombok and Sulawesi, where 2,000 students set fire to shops.

Five people are known to have died, including two during the weekend. Police said they shot three rioters in self-defence.

Police have stopped buses from entering Jakarta from central Java, for fear of an influx of poorer people ahead of presidential elections in March.

"The social structure of Indonesia cannot take high inflation, let alone hyperinflation," Mr Hanke said. "We are looking at hyperinflation."

One banker said: "Indonesia's problem so far has been that when things get tough, this government wiggles. [Suharto] is a man who signed a 60-page document with the IMF and did not read it."

Weighing the risks, Page 4
Editorial Comment, Page 15

Ernst & Young and KPMG count cost of non-merger

By Jim Kelly, in London

Executives at accountancy firms KPMG and Ernst & Young said yesterday they had abandoned their proposed £9.5bn ($15.86bn) global merger because of competition authorities' concerns that the new firm would get so far ahead of its rivals it would dominate the multinational audit market.

They added that regulators – particularly in Brussels and Washington – had begun to ask searching questions about why profit margins in auditing big clients were widening despite prices being flat or falling for several years.

The US Department of Justice and the European Union Merger Task Force have been amassing detailed data on audit pricing and costs, and Karel Van Miert, the competition commissioner in Brussels, has said the two bodies were consulting.

"They wanted to know if we would be too far ahead for the rest of the sector to catch us – and Brussels for one was beginning to ask us: 'Have audit prices really come down far enough?'", said one senior executive.

But rival Big Six firms privately suggested their rivals' merger had failed because of heated internal disputes and a clash of cultures. They predicted stormy meetings today as partners counted the cost of the failed merger – which could run into tens of millions of pounds.

Price Waterhouse and Coopers & Lybrand, which are pressing ahead with their own merger plans, believe KPMG and E&Y have deliberately over-stated the regulatory problems in order to destabilise their merger. In confidential documents released to partners in Europe and the US this week they set out their case that their merger would not dominate the sector.

It is understood that the decision to end the merger attempt was made by E&Y. A call was made on Friday by E&Y's US-based leaders to Colin Sharman, global head of KPMG. Both sides agreed to limit comments to an "amicable" press statement.

It is thought unlikely senior executives will be forced to resign over the merger's collapse, although KPMG's international executive is meeting today in London. "There is no sense of reprisal – just relief," said one KPMG official.

Mr Sharman is likely to use the meeting to try to push ahead with integrating the firm internationally. He will emphasise the benefits of the merger process, which has accelerated structural changes at KPMG. He is

Continued on Page 16

EU ready to reward the frugal

By Michael Smith and Lionel Barber in Brussels

The European Commission is planning an Ecu20bn ($18.5bn) "efficiency fund" to reward regions that make the most of aid intended to reduce the gap between rich and poor areas in the European Union.

The efficiency reserve plan is part of a far-reaching review of EU regional aid designed to focus resources, cut red tape and prepare the Union for enlargement into central and eastern Europe.

Under the Commission's plans, the number of regions eligible for aid will fall. This has provoked last minute lobbying by member states fearful about the economic and political costs. Structural funds – aid for less rich regions – take up about a third of the EU's annual budget.

Monika Wulf-Mathies, regional affairs commissioner, is leading the review, being conducted along with a planned shake-up of the Common Agricultural Policy and a seven-year EU budget to prepare for eastern enlargement after the turn of the century.

The latest drafts of the review show that the Commission is considering holding back 10 per cent of the Ecu230bn of funds earmarked for the existing 15 EU countries between 2000 and 2006, to reward regions which meet Brussels's spending targets. The plan fits the political goals of strengthening small business, helping industries to restructure and fighting long term unemployment.

Mrs Wulf-Mathies also wants to shrink the amount of the EU's population eligible for "Objective One" aid – the largest category of money targeted at poor areas – from 25 to 20 per cent.

Northern Ireland, Lisbon, the Spanish region of Valencia and the French island of Corsica are among areas which appear vulnerable. A revamped "Objective

Continued on Page 16

EMS: Grid

The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

The Irish punt continued to drop towards its central rate, ending 3.70 per cent above its mid-point within the European exchange-rate mechanism. Currencies, Page 31

London · Leeds · Paris · Frankfurt · Stockholm · Milan · Madrid · New York
Los Angeles · Tokyo · Hong Kong

Bahrain Din1.300	Belgium BF90	Cyprus C£1.25
Denmark DKr21.00	Estonia EKr34.00	Finland [illegible]
France FFr12.50	Germany DM4.50	Greece Dr450
Hungary Ft340	Iceland IKr285	Italy L3400
Jordan JD1.75	Kuwait Fils750	Latvia Lat.85
Lithuania Lit21.00	Luxembourg LFr60	Morocco Dh16.00
Netherlands Fl5.00	Nigeria N120.00	Norway NKr23.00
Oman OR1.25	Poland Zl 7.50	Portugal(Mainland) Esc285
Qatar QR13.00	S.Arabia SR13.00	S.Africa R13.00
Spain Pta275	Sweden SKr22.00	Syria S£ 80.00
Switzerland SFr3.80	Tunisia Din2.000	UAE Dh13.00

Inside

Potted theories: Elton Mayo's Hawthorne effect, Page 12

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Europe 'overestimated' China's market

By James Harding in Shanghai

Over half the European companies with operations in China have overestimated the market's size, taken longer to achieve profitability than forecast and performed worse than expected, according to a new survey of European investment in China*.

The study, published by Fiducia, a China-based management consultancy, expects that European businesses will rein in their investment in China over the next two years as they go through a period of consolidation and restructuring, before entering a new phase of investment after 2000.

The conclusions of the survey echo recent statistical evidence that signals a possible fall in foreign investment in China in 1998. They suggest that foreign companies are reassessing the balance of opportunity and cost of starting up operations in China.

Actual foreign direct investment in China rose to $45.2bn in 1997, up 8.5 per cent compared with 1996 levels. But national contracted foreign direct investment, which represents money pledged but not yet spent in China, fell by 29.3 per cent to $51.78bn, raising concerns of a decline in FDI this year.

The survey, which is based upon answers from 96 managers of European companies in China, suggests that a number of problems have caused more than half the businesses to fail to reach their performance targets.

According to the report, 54 per cent of the companies have performed worse than planned, 21 per cent are on target and 25 per cent reported that performance had surpassed expectations.

Most of the companies questioned – 61 per cent – had overestimated the potential of the China market. The majority of European businesses – 60 per cent – also said that corruption was a constraint on their operations.

Fifty-five per cent had encountered counterfeits of their product, and 71 per cent said that they had found no successful remedy for the counterfeit problem.

Another problem for European companies with manufacturing plants in China has proved to be competition from imports, typically through Hong Kong, of identical items made by the parent company. Just over 60 per cent of the surveyed companies said they had encountered problems with such parallel imports.

The report also listed methods of retaining staff as an issue. Many foreign managers have found the high turnover of employees to be a frequent headache.

The most effective means of keeping staff was to offer a loyalty bonus. Other incentives included extra allowances, housing allowances, career planning and housing loans. A little over 5 per cent of the managers said overseas training was a remedy against high staff turnover.

Of those companies planning to expand their operations in China, more than two-thirds were choosing to invest in a wholly foreign-owned enterprise rather than a joint venture, reinforcing the perception that enthusiasm for Sino-foreign joint ventures has cooled.

**European Investment in China, published by Fiducia. Price $195.*

Challenge to French telecom number system

By David Owen in Paris

The French telecoms watchdog is being challenged over its method of allocating identifying numbers to new entrants in France's recently liberalised fixed telephone market.

AXS Telecom International, a European carrier present in France since 1995, is contesting the regulator's decision to exclude it from a recent draw to allocate the last two single-digit prefixes. It has filed a complaint with the Conseil d'Etat, France's highest administrative court, and is threatening to take the matter to the European Commission.

Success for AXS could call into question a French system that has elicited much favourable comment from industry observers. It enables consumers to access alternative operators on a call-by-call basis without having to dial extra digits and hence implies an intention on the government's part to open up the market with commendable speed.

AXS is challenging France's decision to use different selection methods for the single-digit prefixes and for other, less attractive, four-digit versions. It believes this is contrary to EU rules governing the liberalisation of European telecoms markets.

"If the authorities do not agree to make changes, the entire current system may be jeopardised," says Bradley Knoefler, AXS's London-based chairman.

The French authorities have reserved single-digit prefixes for operators who have applied for a national licence and given commitments both to establish and use land-based long-distance transmission infrastructure, and to create interconnection points in all metropolitan regions in accordance with a specific timetable.

Out of seven applications for the last two single-digit prefixes, five were deemed not to have met all the criteria. This left the way clear for the last two digits to be allocated respectively to Tele2 France and Esprit Télécom.

The full list of single-digit prefixes allocated is as follows: 2 - Siris; 4 - Tele2 France; 5 - Omnicom; 6 - Esprit Télécom France; 7 - Télécom Développement/Cegetel; 8 - France Telecom; 9 - 9 Télécom Réseau (Groupe Bouygues). Remaining digits are needed for the emergency services and online services such as Minitel.

In addition, four four-digit prefixes have been allocated: 1617 to Infotel; 1618 to MFS-WorldCom; 1661 to RSL Com; and 1690 to Colt.

Cyprus president wins close contest

By Kerin Hope and Andreas Hadjipapas in Nicosia

Glafkos Clerides, the Cyprus president, yesterday edged past his challenger, George Iacovou, a former foreign minister, to win a second term in a close-fought run-off vote.

Mr Clerides won 50.8 per cent to 49.2 per cent for Mr Iakovou. More than 90 per cent of the Greek Cypriot community took part in the election, including several thousand expatriate islanders who returned to vote from the UK and Greece.

Mr Iacovou, an independent who was backed by an unlikely alliance between Akel, the powerful Communist party, and the centre-right Democratic party, conceded defeat and pledged to contribute to "the struggle ot reunify the island".

Thousands of supporters of Mr Clerides, waving Greek and Cypriot flags, gathered in a sports stadium in Nicosia to proclaim him president after the final results were announced.

Analysts said that after last week's inconclusive first round, Mr Clerides picked up the extra votes he needed from smaller political groups, and from supporters of the Socialist Edek party. He has already accepted a proposal by Vassos Lyssarides, leader of Edek, that a national unity government should be formed to handle the daunting tasks ahead.

Mr Clerides, 78, must launch a new effort to reunite the Greek and Turkish Cypriot communities, divided for the past 23 years, and at the same time try to secure European Union membership for the island.

He has already pledged the job of heading the Cypriot delegation in the EU talks to George Vasiliou, a millionaire economist and his predecessor as president, in return for his party's support in the run-off poll.

George Iacovou (left, with his wife, Jenny) and President Clerides casting their votes yesterday. Both men had said they would back a national unity government AP

UN-sponsored efforts to reunify the island are expected to resume immediately after Mr Clerides is officially installed as president next month, while the US has also pledged to make settlement of the Cyprus issue a priority.

Yeltsin needs a happy ending for the tale of the golden fish

For Russia last year, global capitalism seemed like the golden fish of Slavic fairy tales, a mythical creature which grants its possessor his every wish.

After decades of Soviet obscurity, Russia's most insular companies saw their shares being snapped up by Wall Street fund managers. Governors of Siberian provinces found themselves courted by sharp-suited bankers extolling the virtues of eurobonds.

But last autumn, the golden fish turned into a shark. The Asian crisis sent emerging markets worldwide into a tailspin. Russia was not spared.

Share prices have dropped by nearly 50 per cent since the height of the market, interest rates jumped to 42 per cent at the start of February, and western investors are baying for a new round of fiscal austerity.

When President Boris Yeltsin delivers his annual address to the nation tomorrow, he will try to explain to his weary people, and to himself, how Russia is to endure this new, nasty twist in the long trek to capitalist prosperity.

There is some good news. After several years of a plunging currency and wild inflation, the rouble is displaying remarkable resilience in the face of a hostile environment for emerging market currencies.

Its solidity derives from the central bank's determination to raise interest rates, no matter what the cost to the economy. Sergei Aleksashenko, the bank's deputy governor, has made clear that the bank will push rates even higher than 42 per cent if necessary.

In contrast to more developed market economies, where high interest rates can rapidly punish mortgage-holders and cripple industry, there is less direct impact on the real economy in Russia, where commercial bank lending is in its infancy.

High rates will push up the government's borrowing costs, forcing more cuts in Russia's withered social programmes. Even so, most analysts are confident that the Kremlin will tighten the national belt as severely as required.

> The president must explain this new, nasty twist in the long trek to capitalist prosperity

A recent report by MC Securities, a Moscow investment bank, concluded: "The main impact [of defending the rouble] will be on the public finances – but the government looks willing to bear it ... There would be a high social and political price to pay for this, but the authorities would accept that price [a few million public sector workers with new wage arrears], rather than incur the far worse price of the consequences of a collapsed rouble."

The government's perceived, almost casual, willingness to delay wages for millions of workers is a measure of how routine social deprivation has become. But it also suggests that, after several painful years of wavering, the Kremlin is fully converted to the gospel of financial stabilisation. In his speech tomorrow, most analysts expect Mr Yeltsin to emphasise his administration's commitment to these policies.

What is likely to be beyond his powers is the ability to convince foreign investors that Russia will swiftly tackle the economy's structural problems.

Chief among them are the government's immense difficulties in collecting taxes, the endemic corruption of the Russian state and poor standards of corporate governance.

All these problems have deep social and political roots, all are connected with the profound weakness of the state, and all are immune to quick fixes.

The government is devoting most attention to tax collection. It has made much of its success in collecting 40 per cent more taxes last January than it did in January 1997. But many observers doubt that these figures mean Russia has found a definitive solution to its problem. One senior Kremlin adviser said in a Financial Times interview that the improvement was due largely to a massive tax payment by Gazprom, the Russian natural gas giant. Gazprom has a history of bailing out the treasury, particularly when, as now, the International Monetary Fund is in town.

Western businessmen point out that, even with the best of intentions, dismal tax collection is a weakness for which there can be no swift remedy.

"People have got to get out of their minds that you can reform the Russian tax system overnight," Boris Jordan, head of MFK-Renaissance, a Moscow investment bank, explained.

"In an environment of high interest rates and low inflation it is very difficult to collect taxes. When you are getting 45 per cent on your money, you are not going to pay your taxes."

Russia's ills are coming under sharper international scrutiny at a time when Mr Yeltsin's physical frailty and the acrimony within his court are more apparent than ever.

Never the steadiest of politicians, the president has made a number of public gaffes in the past week which have rekindled worries about his health.

These include his assertion that US pressure against Iraq could ignite "a third world war", and various mis-statements and protocol snafus on a trip last week to Rome which earned him the epithet of "ailing tsar" from the Italian press.

The golden fish of capitalism has not yet showered Mr Yeltsin with the riches she promised in 1992. Russia's fate now hangs largely on finding someone within his coterie of feuding ministers who can persuade the president that he possesses the secret for finally luring that glittering prey to shore.

Chrystia Freeland

Small business not ready for euro

By Katharine Campbell, Growing Business Correspondent

Small and medium-sized businesses in Germany are unprepared for the introduction of the single European currency, and are pessimistic about the effect it will have on their prospects, according to a report published today.

Only 16 per cent of German enterprises feel positive about the euro, according to the Grant Thornton International European Business survey. Forty-four per cent say they have not yet considered the information technology implications of the euro, and only 11 per cent have taken any action in response to those implications.

The annual survey, conducted by Grant Thornton International, the accountancy firm, and Business Strategies, an economic consultancy, analysed results from 6,000 companies with turnovers between Ecu1m and Ecu100m ($1.11m and $111m).

Thirty-one per cent of British companies think that the euro will have a positive effect on their business, slightly higher than the EU average of 29 per cent.

The number feeling strongly negative in the UK has fallen from 10 per cent to 2 per cent over the last year. Other countries pledged to join the single currency at the start are nearly as ill-prepared as the Germans, and often unconcerned about the effects of the changes.

One-third of businesses in France, for instance, said they did not expect the euro to have any impact on their companies.

Stephen Dexter, Grant Thornton partner, expects the disruption to be very great. Companies that are able to adapt quickly and make the necessary changes will have a strong competitive advantage over those that drag their feet.

Andrew Godfrey, head of growth and development services at Grant Thornton, added that it was not entirely clear how businesses in the UK and other countries not joining in the first wave should prepare.

But companies that are installing new software – as many are, to deal with the "millennium bomb" – need to make sure that they can handle the changeover.

On average, only 11 per cent of EU businesses have done anything with their IT. Companies in the UK, Germany, Spain and Denmark have given the least consideration to the IT problem.

Emu 'danger of protectionism'

By Emma Tucker

The European Union's single currency could unleash protectionism among EU member-states if governments do not eradicate remaining barriers to the free flow of goods and services, according to the EU's single market commissioner.

Mario Monti said at the weekend that governments, deprived of exchange rates and monetary policy as economic mechanisms, and faced with absolute price transparency, might come under pressure to erect barriers to goods from other EU countries.

"Industrial sectors will be subject to such huge pressures that they might ask their governments to impose protectionist measures," said Mr Monti, speaking at a meeting of internal market ministers in Cambridge.

The meeting, hosted by the British presidency of the EU, which has emphasised the need to complete the single market ahead of monetary union (Emu), focused on areas where businesses still encounter difficulties when moving goods from one EU country to another.

The problem is particularly acute for goods where standards have not been harmonised – some 25 per cent of all goods traded in the EU. Under the principle of "mutual recognition", national authorities are supposed to accept other countries' standards as equivalent to their own.

But many companies find their products are subject to additional national testing and certification requirements – particularly by the EU's larger economies, such as France and Germany. These countries have been accused of using excessively exacting national standards to keep out the goods of competitors.

The ministers also considered a proposal from the European Commission which would give it power to intervene when sudden disruptions to the internal market occur, such as the recent strike by French truckers which prevented British lorries from entering France.

At the moment the Commission can only issue warnings, and must go to the European Court if it wants sanctions to be applied. But this process takes so long that the disruptive behaviour is usually over by the time the sanctions come into force.

However, most member-states considered that under the EU treaty, the Commission could not be granted sweeping new powers to deal with the problem.

"We can have a very good yellow card system where the referee says the behaviour is not on," said Lord Simon, the British minister hosting the meeting. "But we still have to think about what the red card system will be if the yellow card doesn't work as well as it should."

The meeting also launched a pilot scheme whereby business test panels would help governments and the Commission draw up suitable, simple legislation. The UK, Sweden, France, Belgium, the Netherlands and Denmark will carry out the first experiments.

"The idea is to make legislation effective before it is too late," said Lord Simon.

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NEWS DIGEST

Algeria rebels kill 36 civilians

Suspected Moslem rebels killed 36 Algerian civilians in attacks that coincided with a military offensive against rebels on the outskirts of Algiers, local officials and media said yesterday.

Suspected guerrillas killed 11 civilians on Saturday night at Sidi Amer, a small community in M'sila province – the gateway to Algeria's southern desert, Algerian state radio said. It was the third such attack on civilians officially reported within some 12 hours.

Security forces earlier said that 21 people were killed, with their throats slit, in two attacks on Saturday. Ten civilians were killed last Wednesday in a similar attack in the western area of Telagh. According to other reports, troops killed about 30 rebels in an offensive in the Beni Chougrane mountains last week.

Western estimates say more than 65,000 people have died in Algeria since early 1992 when the authorities cancelled a general election in which Islamists had taken a huge lead. *Reuters, Paris*

■ WAR CRIMES

Serbs give themselves up

Two Bosnian Serbs yesterday became the first war crimes suspects from the Serb-controlled half of Bosnia to surrender voluntarily for trial by the United Nations tribunal in The Hague. Miroslav Tadic and Milan Simic, who both deny taking part in a "campaign of terror" against Croats and Moslems in 1992, handed themselves over to US troops after talks with officials of the tribunal.

Recent arrests of suspected war criminals by Nato-led troops in Bosnia and the voluntary surrender of 10 Croats last October have transformed the prospects of the tribunal which, a year ago, was widely regarded as a toothless institution.

The tribunal now has 22 suspects in custody. Fifty-two publicly indicted suspects are still at large.

The surrender of the two Serbs follows the election last month of a pro-western government in the Bosnian Serb entity. Milorad Dodik, the new prime minister, has allowed the tribunal to set up an office in the main Serb-held town of Banja Luka. *Guy Dinmore, Belgrade*

■ VIETNAM ECONOMY

Moody's reviews debt rating

Moody's Investors Service has placed Vietnam's long-term debt on review as the country prepares to issue $550m in Brady bonds this week. The agency said it might cut Hanoi's Ba3 rating for foreign currency country ceiling for bonds and notes and the B1 country ceiling for ratings of foreign currency-denominated deposits.

Vietnam has been without about $500m in funding from the IMF, World Bank and Asian Development Bank since talks between the government and an IMF mission broke off at the end of last year.

The IMF made the release of funds conditional on the Communist party leadership enacting deep structural reform of its financial sector and largely loss-making state-owned enterprises.

Bankers said last month that the Brady bonds – part of the communist-run country's settlement of about $850m in London Club arrears – were likely to be poorly received on the secondary market because of the Asian financial turmoil and doubts over Vietnam's macro-economic stability. *Jeremy Grant, Hanoi*

■ WASHINGTON SCANDALS

Clinton urged to explain

President Bill Clinton's former chief of staff yesterday urged him to tell the American public soon the full truth of his relationship with a former White House assistant. Leon Panetta told ABC News there was obviously "something more" to the relationship with Monica Lewinsky than the White House has so far acknowledged.

Meanwhile, Ms Lewinsky's lawyer said she was "getting angry" at the behaviour of Kenneth Starr, the independent prosecutor who is investigating claims she had an affair with Mr Clinton who then, it is claimed, urged her to lie on oath about it. William Ginsburg said his client was upset by Mr Starr's aggressive tactics.

This week prosecutors are expected to question a former secret service official who is alleged to have said he let Ms Lewinsky into the Oval Office alone as well as confidants in whom Ms Lewinsky is said to have confided about her alleged relationship. Ms Lewinsky herself may also testify this week, though her lawyer is still trying to arrange a deal by which she would gain immunity from prosecution. *Gerard Baker, Washington*

■ BASQUE NATIONALISTS

New diehard leaders chosen

Herri Batasuna, the radical Basque movement, has signalled its commitment to political extremism by electing a new collective leadership to replace the one jailed by Spain's supreme court in December on charges of collaborating with Eta, the outlawed terrorist group.

Four hundred delegates chose a 24-member governing council for the movement at a mass meeting on Saturday that was frequently interrupted by pro-Eta slogans and calls for Basque independence.

The meeting was held in Pamplona, capital of the ethnically mixed region of Navarre, which is claimed by radical nationalists as part of a greater Basque Country.

The new council members pledged to continue their predecessors' defence of Eta's platform, which calls for Basque self-determination and the release of more than 500 jailed members. *Tom Burns, Madrid*

■ POLAND-EU RELATIONS

Steel reforms promised

Poland has pledged to draft a restructuring and privatisation plan for its steel industry by the middle of the year, according to Hans van den Broek, the European Union's external affairs commissioner. He was in Warsaw on a visit just six weeks before the start of Poland's EU membership negotiations.

The steel plan, he said, would help the EU to assess what funds would be needed to ease the social costs of the restructuring. Some funding could then be provided by the EU, the World Bank and the European Bank for Reconstruction and Development.

The plan is crucial for the EU to decide how long it is prepared to tolerate Polish tariffs on steel imports. The Poles originally promised to lift duties on steel by the end of this year, but now want to extend protection to the end of 2000. *Christopher Bobinski, Warsaw*

■ CUBAN PRISONERS

Pardons 'not bargaining ploy'

Roberto Robaina, the Cuban foreign minister, said yesterday Cuba's decision to free around 300 prisoners, including some political detainees, was not intended as a bargaining ploy to obtain an easing of the US economic embargo.

"We don't have to do anything in exchange for the US making its policy more flexible ... I think the US should have done that a long time ago," Mr Robaina told reporters. He said the decision to grant the biggest pardon of prisoners in the last two decades was in response to an appeal for clemency made by Pope John Paul II during his historic visit last month. *Pascal Fletcher, Havana*

Clinton bid to win Iraq strike support

By Gerard Baker in Washington

President Bill Clinton's administration will launch an intensive effort this week to convince the US public and Congress that any military attacks it may soon begin against Iraq will be both justified and likely to succeed.

As members of Congress return to their districts for a week's break in which they will attempt to gauge popular opinion on possible action, Mr Clinton and his most senior cabinet members will take their case directly to the people.

He is expected to make a nationally televised address early in the week on the stand-off between the US and Iraq over Baghdad's weapons of mass destruction.

On Wednesday Madeleine Albright, secretary of state, William Cohen, defence secretary, and Sandy Berger, the president's national security adviser, will travel to Columbus, Ohio, in the American heartland, to explain their plans in a series of speeches.

The scale of the public relations task facing the administration was highlighted yesterday by sharply divergent warnings from members of Congress about military action.

Mr Clinton says action will be aimed at reducing the ability of Iraq's President Saddam Hussein to produce weapons of mass destruction and to threaten his neighbours with military force.

Arlen Specter, a leading Republican senator, said he was concerned the US public were not yet fully persuaded of the case for action if diplomatic negotiations fail.

"I think ... America is not psychologically ready for an attack on Iraq," he told Fox News. Dick Durbin, a Senate Democrat, voiced similar concerns.

Meanwhile, John McCain, another Republican senator, said the administration's aims were not clear-cut and risked proving insufficient to resolve the Iraq problem.

"I have great concerns whether the president of the United States will launch the kind of air attacks that are necessary to really punish the Republican Guard especially," he said on the same programme.

Mr Cohen was confident there would be support in congress. "I'm satisfied ... that ultimately Congress is going to be very supportive. And I think there's a strong majority for action right now," he said on ABC News.

But the lack of a political consensus behind military action is now clearly troubling the administration.

Although other Republicans, including the congressional leadership, have backed strikes against Iraq, some of their expressions of support have been lukewarm.

Attempts last week to persuade Congress to pass a resolution supporting action failed because of opposition both from those nervous about any use of force and those concerned that Mr Clinton was not planning to be tough enough.

The administration will renew its efforts to get a resolution passed when Congress returns from its break next week – a factor that may force a delay in any planned use of force.

Protests put pressure on Arafat

Palestinian leader's assurances are at odds with public's Iraq sympathy

If Mustafa, a 25-year-old Palestinian, had his way, he would burn American and Israeli flags as often as he could to protest at Washington's military build-up against Iraq and what he sees as Israel's foot-dragging on the peace talks.

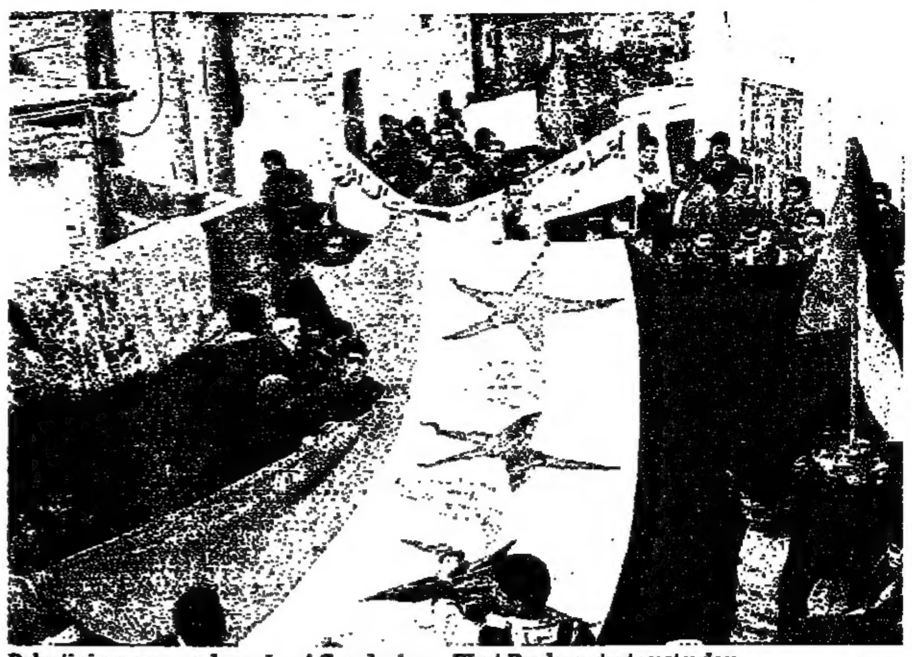
But if Yassir Arafat, president of the Palestinian Authority (PA), is true to his word, he will do everything possible to prevent such anti-American and anti-Israeli demonstrations, which have taken place in recent days in the West Bank and Gaza Strip.

The surge of anti-American sentiment prompted the US State Department to issue a warning at the weekend to US citizens travelling in areas under Palestinian control.

But however much the PA has sought to assure the US, the gap between the PA's intentions and the wider Palestinian fellow feeling towards Iraq reflects Mr Arafat's problem.

He knows any repeat of 1991, when Palestinians openly sided with President Saddam Hussein of Iraq, will undermine his improved relations with the US.

He also knows it will play into the hands of Benjamin Netanyahu, Israel's prime minister, who has already used the Palestinian demonstrations to his advantage, accusing them of siding with a dictator. In spite of this, Palestinians in the Deheishe refugee camp yesterday defied the ban.



Palestinians carry a huge Iraqi flag during a West Bank protest yesterday Reuters

Nabil Shaath, Palestinian minister of planning and international co-operation, yesterday said he understood the extent of Palestinian feelings towards the Iraqi people and their frustration with lack of progress in implementing the Oslo peace accords.

But he insisted the PA would ban pro-Iraqi demonstrations and any burning of US and Israeli flags.

Mr Shaath, said he knew what was at stake for the peace process.

"The Iraqi crisis comes at a very difficult time for the peace process. It would be devastating for the Middle East – and the peace process – if there was no diplomatic solution in Iraq. It could plunge the Middle East into crisis."

But there is another dimension to Palestinian sympathy for the Iraqis. "The US is pulling out all the stops to make Saddam comply with UN resolutions," said Saeb, who joined in last week's anti-American and anti-Israeli demonstrations.

"Yet could you imagine the difference it would make if the US applied the minimum of pressure on Israel to comply with UN resolutions and the Oslo peace accords?"

Mr Shaath sympathises with this view. "The PA wants Iraq to comply with the UN resolution – and it wants a ban on all nuclear, biological and chemical weapons in the region. We would like the US to take a consistent stance with regard to Israel.

"We reject the theory that some countries are more responsible than others in using such weapons of mass destruction."

Judy Dempsey

Overthrow of Saddam urged to avoid attack

By Jimmy Burns in London

Senior members of the Iraqi opposition are pressing the US government to adopt a strategy to overthrow President Saddam Hussein which they hope will avoid the threatened military strike against the country.

Dr Ahmad Chalabi, president of the executive council of the Iraqi National Congress (INC), has drawn up a set of proposals which he said he would discuss early this week with senior US administration officials and members of Congress.

The proposals involve declaring "no-drive" zones north of the 35th parallel and south of the 32nd parallel. This would mean that the US and its allies would reserve the right to attack any tanks or heavy artillery used by Mr Saddam in this area, while maintaining an allied no-fly zone over the whole of the country.

Dr Chalabi, who has met other Iraqi opposition figures in London in recent days, is proposing the lifting of sanctions in areas which he claims will be liberated within weeks in the north and south of Iraq by supporters of a provisional democratic government.

His proposals envisage some $1.7bn in frozen Iraqi assets in the US and Europe being used to support a new government of Iraq.

Dr Chalabi is claiming the INC has been assured in communications by "several Iraqi military commanders" that they are prepared to support the overthrow of Mr Saddam if the US backs the setting up of a provisional government.

"I think there is a convergence of interest between the west and the Iraqi people. The Iraqi people want to get rid of Saddam. The west wants to get rid of weapons of mass destruction," he said in a statement in London at the weekend.

Earlier last week he told a parliamentary human rights group that attacking Iraq without overthrowing Mr Saddam had no moral justification.

Dr Chalabi's trip to the US is taking place against the background of continuing doubts within the US and in Europe about the ability of the multi-faceted Iraqi opposition to become a viable alternative government.

Dr Chalabi was strongly supported by the US administration during the last Gulf war but since then, some US and UK officials have distanced themselves from him, claiming he has no effective constituency.

Action poses terror threat, Santer warns

By Michael Smith in Brussels

Jacques Santer, president of the European Commission, warned at the weekend that military intervention against Iraq could provoke a wave of international terrorism and regional instability.

Mr Santer said he was reporting what Middle East leaders had told him on his first official trip to the region as president, from which he has just returned.

He said most thought a military strike on Iraq looked inevitable and were very pessimistic about the prospects for the region after a war.

As well as fearing increased violence, they felt President Saddam Hussein could emerge stronger than ever if he remained in power after a war.

Mr Santer visited leaders of Egypt, Israel, the Palestine Authority, Jordan, Syria and Lebanon in a long-planned tour aimed at increasing the EU's influence in the Middle East.

He sees the region as crucial to the EU's efforts to stabilise its southern flank and is pushing for a larger role in Middle East peace talks.

Although Mr Santer stressed the EU's strong support for the fulfilment of UN resolutions over Iraq he said everything should be done to prevent a war.

His comments reflect growing concerns in Brussels that the consequences of intervention could be more serious than the last war in Iraq.

There are worries that if the Iraqi president were removed there would be a power vacuum which countries including Turkey, Iran and Syria could seek to exploit by seizing Iraqi territories.

Mr Santer claimed strong support among Arab nations for an expanded EU role in the peace talks.

Arab leaders had complained strongly about what they felt to be US double standards in seeking to enforce rigorously United Nations resolutions against Iraq but failing to do so against Israel over the Palestinian issue.

The EU president made clear he had no wish to usurp the US's role as chief broker, but he is seeking a more direct role in line with its heavy financial contribution to the region.

He had held positive talks with Benjamin Netanyahu, Israel's prime minister, but acknowledged Israel had been lukewarm about boosting EU involvement in the Middle East peace process.

NEWS: ASIA-PACIFIC

BJP looks to allies in Indian election

By Mark Nicholson in Bangalore

INDIAN ELECTIONS

If India's election delivers the Bharatiya Janata party (BJP) to power, the Hindu nationalist party will have its often unlikely political friendships to thank.

It was a campaign trip on behalf of one such alliance, with the Tamil Nadu AIADMK party, which took Lal Krishna Advani, BJP president, to Coimbatore on Saturday. His rally was disrupted by 17 bomb blasts across the city. More than 80 people were killed.

Mr Advani says the bombs were a violent reaction by anti-BJP extremists to his party's growing popularity in south India, where the party has lacked support. It was chiefly to right this anomaly that the BJP formed its network of regional alliances.

Every opinion poll so far puts the BJP and allies ahead in a closing electoral race, with Sonia Gandhi's campaigning for Congress having gnawed at their early lead. But the polls also show the direct swing towards the BJP itself may be just 3 per cent – far from enough alone to win it a majority in the 543-seat parliament.

Only with its array of alliances does the BJP look capable of forming a government. A party predominantly of north and west India, the BJP has linked up with seven smaller regional parties and has "seat adjustments" with two more to extend its influence south. Add these parties to the equation and polls show the "swing" to the BJP-led combine to be 7 per cent or more.

Only one of its allies, the Shiv Sena, a militant Hindu party joined with the BJP in governing Maharashtra state, can be said to share the BJP's "cultural nationalism". Most others overtly oppose the BJP's Hindu religion-based calls to build a Hindu temple at Ayodhya, create a "uniform civil code" to remove family law exemptions for Moslems or to annul a constitutional provision granting Moslem-dominated Jammu and Kashmir state "special status".

Mr Advani has conceded that "our allies have ideological differences with us", but said they had all at least agreed that the BJP should lead any future coalition and on Atal Bihari Vajpayee, BJP leader, as its prospective prime minister.

For the BJP the alliances have been a conscious effort to end their political "untouchability" – a tradition of being shunned by India's "secular" parties. The BJP was shaken at the last election when, despite becoming the largest party, with 166 seats, and being invited to form a government, it failed to muster the requisite 272 seats for a majority. Instead, regional and caste parties coalesced to form the 13-party United Front government to keep it out.

Most important for the BJP, though, is the opportunity to make headway in the south. It won just six of 110 south Indian parliamentary seats in the 1996 elections. Leaders realised hopes of becoming a truly national party rested on finding a southern presence. They are confident of achieving this, notably in Karnataka state.

The key question, however, is how loyal the BJP's new friends will be after the elections. In the horse-trading likely to follow a hung parliament, all alliances are likely to come under pressure. "It is going to be a very merciless, unprincipled trade after the elections," concludes Cho Ramaswamy, a veteran Madras-based political fixer. Mr Ramaswamy knows because he will be one of the traders on the telephone.

Officials in New Delhi inspect ballot boxes for distribution around the city yesterday AP

Republic battle for Australian parties

By Gwen Robinson in Sydney

The republican issue is becoming a fierce political battleground in Australia, after a constitutional convention voted on Friday in favour of cutting ties with the British monarchy and becoming a republic. The convention also endorsed a system of presidential election by parliament, which in effect links the model to a Yes or No vote in a national referendum next year.

Rifts over the republic issue within the conservative coalition of John Howard, the prime minister, widened yesterday after Peter Costello, the treasurer, expressed strong support for a republic. Mr Costello joined several other senior figures in Mr Howard's Liberal party who came out in support of the republic at the two-week convention in Canberra.

Mr Costello said he would campaign for a Yes vote in the referendum on whether Australia should become a republic. But he called for modifications to the republic model endorsed by the convention and said he would "try to improve" it.

On Friday, the convention voted 73-57, with 22 abstentions, for a system under which a president would be elected by both houses of parliament, after broad consultation with citizens' groups. But opinion polls have consistently shown majority support for a president elected directly by the people. Mr Costello described the convention's preferred model as "a hybrid compromise". "I can understand how the convention came to that because it was the best way of getting a majority, but I am not convinced that it's the best thing for Australia," Mr Costello said.

The main opposition Labor party, meanwhile, warned yesterday that Mr Howard, a declared monarchist, would face "serious consequences" if he continued to oppose a republic.

"If Mr Howard clings nostalgically by his fingernails to that old monarchical model... then I think if he's still prime minister [by the time of next year's referendum], he's going to be a very diminished, marginalised figure indeed," said Gareth Evans, deputy opposition leader and a former foreign minister.

The republic battle is only one of many sensitive issues Mr Howard must tackle in what is shaping up as an election year. Although an election must be held by May next year, he has suggested he may dissolve parliament and call an election as early as July or August to resolve an impasse over his proposed amendments to native title legislation.

In a move seen as a preliminary step in the party's coming election campaign, Mr Costello yesterday proposed tax reforms providing personal income tax cuts in return for a new goods and services tax.

S Korean reforms to boost restructuring

By John Burton in Seoul

South Korea's parliament in a weekend session approved corporate and labour reforms that are expected to promote industrial restructuring and encourage foreign investments in a nation that previously shunned them.

The landmark legislation would allow hostile foreign takeovers of Korean companies from next year, while imposing restrictions on the growth of the nation's highly diversified conglomerates, or *chaebol*, whose excess borrowings triggered Korea's recent financial crisis.

The *chaebol* will have to produce consolidated financial accounts beginning in fiscal 1999 to promote corporate transparency.

A ban on mutual debt guarantees among *chaebol* affiliates will probably result in smaller industrial groups, as weaker units are allowed to fail or be sold.

A reform of bankruptcy procedures will encourage the accelerated liquidation of failed businesses, which are now allowed to stay in operation because of the widespread abuse of bankruptcy protection laws.

Labour reforms to permit the sacking of workers employed by companies involved in mergers and acquisitions will help industrial restructuring, which has been stunted by previous laws that made it difficult to shed excess workers.

Although the new laws will lead to a sharp rise in corporate defaults and higher unemployment, they are also expected to clear the way for foreign investors to acquire troubled businesses and revive them with better management practices and stronger financial resources.

The labour reforms were approved after the dissident Korean Confederation of Trade Unions was forced to abandon a protest strike on Friday because of a lack of public support.

Nonetheless, analysts predict that labour unrest could erupt in coming months as unemployment begins to bite, with the number of jobless expected to double to 1.1m. The unions were granted new rights to organise and engage in political activities in exchange for relaxing the rules on job security.

The government hopes improved social benefits will ease union militancy. Unemployment funds will rise to Won2,800bn ($1.8bn) from Won1,600bn and eligibility rules will be eased for those collecting benefits.

Indonesia weighs currency board risks

American promoter of the scheme defends it in interview with Sander Thoenes

The riots over food prices that have rocked Indonesia in recent weeks are the strongest argument both for and against a currency board.

President Suharto faces his sixth re-election in March and he appears determined to keep subsidies on basic foodstuffs and kerosene, even though the rupiah's collapse has made such imports expensive.

But the International Monetary Fund and many of Mr Suharto's aides worry that Indonesia's political crisis, along with its weak banking system, will cause money to flow out as soon as a currency board starts, forcing interest rates up and increasing problems for banks and most industries.

"Even the most successful currency boards have been severely tested," said Prabhakar Narvekar, an IMF consultant. "In a country which has so many other problems, it is just too risky."

Mr Suharto was persuaded in part by Steve Hanke, a US economist who has advised Bulgaria, Lithuania and Argentina on currency boards. Mr Hanke yesterday told the FT: "Interest rates in a currency board must converge towards the interest rates in the anchor currency country and the only differential will be in country and credit risk between the two. Every place where we have installed a currency board since 1983 has had a significant reduction in interest rates."

While the IMF wants to talk about a currency board only after the banking system has been reformed, Mr Hanke said money rushed into Bulgaria and Argentina despite the lack of viable banks, adding that banking reforms would take too long. "The problem with Indonesia is that you're wiped out in the meantime," he told bankers last week.

When pressed on Indonesia's pledge to guarantee credits and deposits of its 225 commercial banks, most virtually bankrupt, Mr Hanke said the government could back this through the budget. Indonesia's budget for the year starting April 1 is Rp137,000bn ($14bn) compared with over Rp800,000bn in bank deposits.

While he conceded that some speculators would take advantage of the currency board to buy dollars and service debt, Mr Hanke said most enterprises lacked cash to buy more than they needed to service interest rates rather than principal. This outflow would be more than compensated for by inflow of arbitrage funds, he said.

While some Indonesians have called for a modified currency board, Mr Hanke favours an orthodox board without capital controls to ensure credibility. He also argued that, with the price of the dollar set, "all other prices have to be free". But Mr Suharto's very motivation for a currency board is to keep subsidies and fixed prices for foodstuff and fuels affordable for the time being.

Most agree the key to a currency board's success is political will and credibility. Mr Hanke himself has come under fire as he is chairman of Friedberg Mercantile Group, which, he conceded, profited from speculating against the rupiah last year.

Mr Suharto's credibility gap is more serious. The IMF is concerned that Mr Suharto is backtracking again about the reform programme agreed with the Fund, particularly on dismantling trading monopolies and cartels.

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The American Association for the Advancement of Science

Study raises prospect of new approach to healing

By Vanessa Houlder in Philadelphia

A US scientists have identified a special breed of mice that can regrow the end of their tails and other tissues, demonstrating a feat of regeneration that was previously *unknown in mammals*.

The research, which was announced at the annual meeting of the American Association for the Advancement of Science, reveals new information about the genes involved in regeneration, which could ultimately have *important implications* for organ replacement and the healing of wounds, burns and spinal cord injuries in humans.

Ellen Heber-Katz, a professor at the Wistar Institute, a Philadelphia-based centre for the National Cancer Institute, said that she had identified seven regions of the mouse's chromosomes which were involved in this regenerative process.

Although her work is at a very preliminary stage, she could envisage these genes being applied to human wounds, possibly using gene therapy, to enhance their healing.

Prof Heber-Katz discovered the regenerative ability of the mice by accident five years ago, when she was using them to study multiple sclerosis.

When she pierced their ears – the normal method of tagging mice – she found that the holes completely closed up, leaving no scars.

Prof Heber-Katz later found that the mice could regenerate missing sections *of their livers much more* rapidly than normal mice.

In addition, when a centimetre-long stretch was removed from the end of each mouse's tail, 75 per cent of it grew back – complete with hair – in the course of a week.

Instead of repairing wounds in the normal way, the mice appeared to develop a "blastema", which is made up of rapidly dividing immature cells that have the potential to become different tissues. During this process of regeneration, the protein layer that normally separates tissues from one another and maintains the structure of organs was rapidly broken down.

This sort of healing is usually confined to amphibians, which have a well known ability to regenerate missing limbs.

When amphibians are severely injured, they produce a bulbous mass which eventually turns into cartilage, bone and digits, producing a normal-looking limb.

Research with mice could have implications for the replacement of organs and treatment of wounds and injuries in humans

Prof Heber-Katz said that, in addition to genetic differences, the reason why mammals did not usually have the amphibians' ability to grow back limbs was that their immune system might block regeneration.

She said it was possible that, at some point in the course of evolution, mammals lost the ability to regenerate limbs.

This would have happened *as a result of developing* a complex immune system, which helps protect mammals against tumours.

There is a link between tumour growth and the regeneration of tissue, in that certain molecules are produced during both processes.

Warning over simplistic view of genes' role

By Vanessa Houlder

The Human Genome Project, the ambitious attempt to analyse the human genetic inheritance, is in danger of fostering a new form of eugenics, a *US biologist has* told the American Association for the Advancement of Science.

Garland Allen, a professor at Washington University in St Louis, warned against the tendency to adopt simplistic genetic explanations for social behaviour. "It is possible today that genetic arguments are creating a similar climate of opinion to that found earlier in this century in which social problems are viewed as medical problems originating from genetic defects in individuals, treatable by gene therapy or behaviour-modifying drugs," he said.

Prof Allen said there were parallels between *the past* claims of eugenics and the modern view that many problems, ranging from criminality to depression, are predominantly based on genetics. Eugenics, a movement that took hold early this century, centred on a notion that many social problems could be solved by reducing the birth rate of those deemed genetically defective and increasing it among those deemed genetically superior.

A prominent genetics researcher also warned about the potential threat to civil liberties from misguided beliefs about genes and behaviour. Craig Venter, president of the Institute for Genomic Research, said there was "tremendous potential for the dark side" from gene research, as well as the prospect of important medical advances. The problems would arise from "lousy associative science", in which people made unjustifiable links between genes and behaviour patterns, he said.

Dean Hamer, chief of gene structure and regulation at the National Cancer Institute, *told the association* that there were advantages in unravelling the links between genes and behaviour. "There are benefits in helping people to understand themselves. People actually benefit from knowing what their own limits and poten*tial can be," he said.*

Dr Hamer, whose laboratory has announced genetic links for homosexuality, novelty seeking, anxiety and number of sexual partners, said that he suspected that much of the human genome would be found to be *involved* in behaviour. But he emphasised that behaviour was influenced rather than determined by genes. "I don't think there is any behaviour which is immutable. All our behaviour is modifiable."

The relationship between behaviour, genes and the environment is likely to remain opaque long after the mapping of the human genome is completed, said Roger Brent, associate director of the Molecular Sciences Institute, a multi-disciplinary institute. "We will get a little closer, but not much closer," he said.

Dr Brent predicted there would be significant early benefits from the discovery of new genes. He said it was not far-fetched to suppose that in five years' time, a doctor would be able to predict from a blood sample whether a particular type of painkiller would suit a patient. Within 10 to 20 years, he expected to see drugs tailored to an individual's genetic make-up, he said.

Corn broom exporters want Washington to sweep aside its import curbs in line with a Nafta panel ruling

Mexicans celebrate trade victory over US

By Leslie Crawford in Mexico City

Mexico is celebrating victory in a rancorous trade fight which has tested the terms of the North American Free Trade agreement (Nafta).

An international arbitration panel ruled late last week that US quotas and duties on *Mexican* handmade corn brooms were in violation of Nafta rules.

"We are so happy the Nafta panel ruled in our favour," said Jorge Treviño, *president of the Mexican* Corn Broom Manufacturers' Association in the northern town of Cadereyta, near the Texan border.

"We are still waiting for the US government's response, but we hope it will drop its protectionist measures," he said.

"It is the spirit of Nafta which is at stake."

The corn broom controversy was the first US-Mexican trade dispute to go *before an arbitration panel* since Mexico joined Nafta four years ago.

Although the panel's recommendations are not binding, Mexican trade officials said the US response would be an important test of Nafta's dispute resolution mechanisms.

In November 1996, the US slapped quotas and countervailing duties on Mexico's corn brooms to protect its domestic industry, even *though just 382 US jobs and* less than $10m of imports were at stake, out of two-way trade totalling $150bn.

The US argued "safeguard" tariffs were needed for three years to give US corn-broom makers time to adjust to Mexican competition.

In Cadereyta, capital of the Mexican corn broom industry, the effect was devastating.

"*Our imports* dropped by 15 per cent last year," Mr Treviño said. "But most affected were our operating margins; it was very difficult to compete with 33 per cent duties on our brooms."

US action against Mexican corn brooms led Mexico to impose retaliatory duties on Californian wine, Tennessee whiskey, brandy, wine coolers, notebooks, wooden furniture, fructose and flat glass.

Mexican officials said they were seeking a bilateral trade meeting to discuss the recommendations of the panel, formed by two Mexican trade experts, two Americans and an Australian, who chaired the proceedings. "Obviously, we want the US to remove the quotas and countervailing duties as quickly as possible," one trade official said.

Supreme Court to ponder Quebec's right to secede

Lucien Bouchard: refused to participate in hearing

By Scott Morrison in Toronto

Canada's Supreme Court will hear arguments today in a proceeding to determine whether Quebec has the right to secede unilaterally.

The issue has inflamed separatist passions in the French-speaking province.

The case is a federal government bid to thwart the separatist movement. Lucien Bouchard, Quebec's separatist premier, has refused to participate in the hearing, and last week criticised the process as an imperialist attack on the movement.

Mr Bouchard, who enjoys strong support and could call a provincial election as early as this spring, has pledged to organise another sovereignty referendum should he be returned to office. Separatists led by the premier lost a 1995 referendum by less than one percentage point.

Federal officials, however, point out they are not disputing the right of Quebeckers to determine their future. The key issue to Ottawa and the rest of the country is the terms under which Quebec could secede from Canada.

The court, which will probably take several months to hand down its decision, is widely expected to rule that the province cannot unilaterally declare secession.

Ottawa suggests that such a decision would establish a legal framework in which Quebec would be required to negotiate key issues before it could leave Canada.

Among the most important items are the size of Quebec's share of the national debt, the fate of minorities in the province opposed to secession and whether the province could continue to use the Canadian dollar as its currency.

Lawyers for the federal government will today argue that the constitution does not include provisions for the secession of a province and for Quebec to do so would require constitutional amendments that must be ratified by other governments in Canada.

Last year Canada's provincial premiers signed a declaration in favour of constitutionally recognising Quebec's unique character. Quebec has not yet signed Canada's constitution, arguing that it does not recognise the province's "special status" within the country.

A court decision favourable to Ottawa would serve to clarify the matter for other nations as well. Observers say the international community would be extremely reluctant to recognise Quebec if it were to break Canadian law with a declaration of sovereignty.

The government will argue that Quebec cannot unilaterally secede under international law because a people's right to self-determination is *limited* by the premise that each nation's integrity must be preserved.

European manufacturers may face penalties if they fail to cut greenhouse gases

Carmakers warned on emissions

By John Kampfner, Chief Political Correspondent

European car manufacturers will be warned by the British government today to act more quickly to cut carbon dioxide emissions or risk statutory penalties.

Gavin Strang, transport minister, will tell the industry the UK regards the issue as important for its presidency of the European Union and that time for an agreement is running out.

"I understand that negotiations between the Commission and representatives of the European car manufacturers have now reached an impasse," Mr Strang is expected to tell a conference in London, sponsored by the FT, on the changing role of the car.

"In the wake of Kyoto [the climate change conference] it is vital that progress is made in this area. EU ministers have made it clear that they will look at regulatory or fiscal alternatives should the voluntary approach fail."

The world's first legally-binding treaty to curb "greenhouse gas" emissions linked to dangerous climate change was agreed in Kyoto, Japan, in December 1997. It requires cuts in fossil fuel consumption by the US, Japan and the European Union.

The European Commission has warned ACEA – the European motor manufacturers trade association – that it wants a 30 per cent cut in CO_2 emissions across a car company's average fleet by 2010.

The manufacturers, after initially claiming the target was too stringent, have said they will submit their own suggestions early next month ahead of an environment ministers' council meeting on March 17, at which the issue is expected to come to a head.

"The world signed up to cutting greenhouse gases at the Kyoto climate change conference," Mr Strang will say.

"We have legally binding targets to meet and the motor industry must play its part if transport is to make its contribution to reducing greenhouse gas emissions."

Mr Strang will reject criticism that the UK government is not doing enough to force consumers to move away from the most environmentally damaging cars. He will point to the establishment of a cleaner vehicles taskforce to promote the production and purchase of "greener vehicles that people and organisations will actually want to buy and drive".

He cited a recent health department study estimating that 12,000-24,000 accelerated deaths are caused each year by air pollution, with an additional 24,000 hospital admissions.

Foreign secretary reaffirms commitment to volcano island

By James Wilson in Montserrat

There was "no wish, no intention, no secret plan" to abandon the volcano-ravaged island of Montserrat, Robin Cook, foreign secretary, said on Saturday. He was speaking during the first visit by a UK foreign secretary to one of the country's five remaining Caribbean colonies.

Montserrat, hit in 1995 by ash pouring from the Soufriere Hills volcano, expects quick delivery of further assistance, officials from the island's administration said.

Mr Cook flew over Montserrat and saw ash billowing from the volcano to cover swathes of the island, including Plymouth, the abandoned main town, and the airport. He described the scenes as "dramatic" and "distressing".

Later he visited the island's temporary hospital. He heard complaints from homeless islanders living in wooden shelters – though some seemed more absorbed by the televised cricket match between England and the West Indies than by his arrival.

The six-hour visit was designed to show the UK's commitment to the island's future.

Mr Cook reiterated that London had already spent £36m ($60m) out of a promised £51m in development aid. Announcements of further aid were limited to donations totalling £73,000 for school computers and a library.

David Brandt, Montserrat's chief minister, made clear he expected Mr Cook's trip to produce rapid moves to improve living conditions.

Referring to the 500 people living in shelters – some since the eruptions began – Mr Brandt told Mr Cook: "You will be in a strong position to make a stronger case that this should not exist in an overseas territory. Speaking to you today I get the impression that you are going to do that and we will see a difference."

Island officials say housing remains the most acute need, with thousands more Montserratians living with friends or relatives, many in nearby Antigua.

Mr Cook visited a housing project where 50 homes are complete, with another 50 ready next month. Britain is committed to building 250 homes in the safe north of the island.

Robin Cook: the devastation was "dramatic" and "distressing"

"It is not enough," said one official. "The housing programme kicked in a year too late. We are still building shelters to replace shelters – it's ludicrous. We should be past the emergency stage and in the development stage."

Soft loans promised by the UK for homes are being delayed by the lack of an agency to administer the funds. The government is pressing insurance companies to restore cover so people can take out loans.

Heron borrows $145m to build in City

By Norma Cohen, Property Correspondent

Heron International, the private European property group headed by Gerald Ronson, has arranged a £90m ($145m) syndicated loan facility to finance three speculative development projects in the City of London.

The financing, arranged through four German lenders, is a sign of the resurgence of lending for speculative development.

Rents and values of City office properties have risen sharply over the past year and a growing shortage of prime space, due to the lack of speculative finance, has been forecast to continue the trend.

The enthusiasm with which lenders provided finance for speculative development in the 1980s is considered a key factor in the building bubble that burst in 1990.

German lenders, who have access to low-cost funds and who entered the UK market after property prices collapsed, have been among the most vigorous providers of debt finance over the past few years and are believed to be the leading providers of speculative finance.

The Heron facility was arranged and partly provided by Hypobank, with other funds from Helaba, Rheinhyp and Eurohypo.

The three sites will contribute more than 400,000 sq ft of new space with a forecast completion value of more than £200m.

The sites are at Holborn Viaduct, Ludgate Circus and Queen Victoria Street and are expected to be completed by October and November 1999.

According to chartered surveyors Knight Frank, prime City of London rents have risen 11.8 per cent since the end of 1996 to £47.50 per sq ft and take-up of space rose 165 per cent during 1997.

Germany targeted over debt relief

By David Buchan, Diplomatic Editor

Christian Aid, the UK aid charity, hopes to shame the German government into improving debt relief for poor countries.

The launch of the campaign to send up to half a million postcards to Germany's embassy in London and its finance ministry in Bonn is designed to coincide with next Saturday's meeting in London of the Group of Eight finance ministers, representing the richest industrialised countries as well as Russia.

It is a sign of the determination of British aid lobbies to keep the debt relief issue on the agenda of the G-8, chaired this year by Britain.

Christian Aid has sent the 250,000 people on its mailing list two cards each to mail on to Gebhardt von Moltke, the German envoy in London, and to Jürgen Stark, junior minister at the Bonn finance ministry.

The cards carry a photograph of the London ceremony in 1953 at which the then West Germany had its post-war debts cancelled, paving the way for its spectacular recovery, and calls on Bonn to do the same for others.

Andrew Simms of Christian Aid said the group was "targeting Germany because it has been the main country resisting the sale of International Monetary Fund gold" to help cover the cancellation of debts owed by poor countries.

However, the finance ministry in Bonn said on Friday it was unaware any of the cards had reached Dr Stark, and suggested if and when they did, the minister would have no call to feel embarrassed. An official said Germany was supporting the Heavily Indebted Poor Country Initiative but "we just don't believe it has to be done by selling IMF gold".

UK NEWS DIGEST

Sinn Féin warns on peace talks

Sinn Féin, the Irish nationalist party, warned yesterday of dangerous consequences if it was removed from Northern Ireland's all-party peace talks today following a series of killings attributed to the Irish Republican Army, its military wing. Martin McGuinness, Sinn Féin chief negotiator, said there was "no case" for excluding his party from the negotiations, which will resume in Dublin this morning. He hinted that any vacuum of representation for republicans could lead to an end to the IRA ceasefire. "We could conceivably have a situation where people out there who are attempting to destroy the peace process and any hopes of a negotiated settlement could conspire to create circumstances which would make it impossible for Sinn Féin to get back into these talks," he told BBC television. "This is a very dangerous, a very serious and a very grave situation."

The British and Irish governments will today consult the remaining parties about whether information from the police of IRA involvement in two recent murders constitutes a "demonstrable" violation of the principles of non-violence laid down by a team led by former US senator George Mitchell, the talks chairman. The governments are likely to ask Sinn Féin to leave, although with the tacit possibility of re-admission a few weeks later.

● Four men are to appear in court in Belfast, Northern Ireland, today charged with the murder of Robert Dougan, a leading Protestant "loyalist". Police said "Four west Belfast men were charged. The alleged offences include murder and possession of firearms with intent to endanger life." Dougan was shot dead as he sat at the wheel of his car.

John Kampfner

■ BANK FRAUD

Accused German changes pleas

A man accused in connection with a "sham bank" fraud has changed his pleas. Gerhard Martens, a German working in England, now admits two charges of conspiracy to defraud and one of obtaining $40,000 by deception. A further conspiracy charge, a count of making a false financial statement and a charge of dishonestly obtaining more than DM1.5m ($840,000) by deception, were allowed to lie on the file. Mr Martens will be sentenced after the continuing trial of his co-accused, Peter Tuegel, a German, and Sebastiano Saia, an Italian. Tuegel denies two counts alleging conspiracy to defraud and Saia one similar charge, all allegedly dating from the early 1990s. A prosecutor said at the start of the trial in Bristol that international fraudsters set up a "sham" bank in the former TSB bank building in Torquay on the south-west coast of England. The three-storey premises were used as a front for false banking activities to dupe foreign investors into parting with advance fees for loans or securities which never materialised, the jury heard.

■ ANIMAL RIGHTS

Protest at pharmaceutical group

Animal rights protesters demonstrated outside Quintiles, a pharmaceutical company, yesterday, alleging that mice and rabbits were used in experiments. A police helicopter hovered as about 70 banner-waving campaigners gathered outside the company, near Ledbury in western England. Campaigners tied ribbons to lampposts and held up banners asking for a halt to animal testing.

هكذا من الأصل

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ TODAY

Airtours 16p
Anglian 4p
Anglo American Inv Tst 6% Gross Cm Pf R0.06
Barclays Bank 6½% Nts 2004 £65.0
British Telecom 7.55p
Bulmer (HP) 5.2p
City Mortgages Rcvbls 1 Mtg-Bckd FRN Feb 2023 Ser 1996-2001 £45.27
Do No 2 Mtg-Bckd FRN Oct 2023 Ser 1996-2002 £51.06
Do No 3 Class A Mtg Bckd FRN Oct 2023 £46.85
Do Class B £75.98
Do No 4 Class A Mtg Bckd FRN Aug 2028 Ser 1997-2001 £55.40
Do Class B £75.98
Do No 5 Class A Dfd Int Mtg Bckd FRN Sep 2032 £34.02
Do Class B £86.94
Do No 6 Class A Mtg Bckd FRN Mar 2029 Ser 1997-2003 £55.25
Do Class B £75.98
Dixons Grp Treasury 7¾% Gtd Bd 2004 £77.50
Druck 0.58p
Greencore IR5.1p
Halifax 6½% Bd 2004 £65.0
Do 10½% Sb Bd 2018 £1050.0
Hartstone 0.16p
Hasbro $0.08
Howard 0.2p
Int Greetings 2.6p
Japan Dev Bank 8⅜% Gtd Nts 2001 $418.75
Japan Fin Corp for Municipal Ents 9⅛% Gtd Bd 2005 £91.25
Martin Currie Moorgate Inv Tst 1.8p
Newton Mill 6% Cm Pf 2.1p
Readicut Int 0.63p
Riverview Rubber Estates M$0.20
Seals (No 10) Sec FRN 1999 Y317167.0
Sonar 1 Class A Mtg Bckd FRN 2021 £147.78
Do Class B £220.33
Do Class C £241.52
State Bank of New South Wales 7% Bd 2004 A$70.0
Teijin 6.4% Bd 2001 Y640000.0
Treasury 2½% IL 2013 £2.207
Utd Utilities 13.16p

■ TOMORROW

Abbey National Treasury 6% Gtd Nts 2004 FFr600.0
Do Callable Step-up Gtd Nts 2000 £73.75
Abbey IR3p
Aberdeen High Inc Tst 1.7p
BES O'seas Ser A Gtd FRN Pf $0.50
Bank of Scotland Sb FRN 2000 $49745.50
Barnsley 8% Ln 2017 £1.333336
Chester Asset Rcvbls No 3 Asset Bckd FRN 2003 £1960.23
Citicorp $0.575
Colgate-Palmolive $0.275
Colonial Fin Sb Gtd FRN Feb 2005 $344.54
Eksportfinans FRN 2003 $28.47
Hay & Robertson 5% Cm Pf 112p
Henderson Geared Inc & Grwth Tst 1.7p
National Grid 4.83p
Peabody Tst 10¼% Gtd Sec 2023 £5.125
Sanwa Bank Canada Gtd Fxd/FRN 2005 $1629.17
Scruttons 10p
Sudwestdeutsche Landesbank Cap Mkts 7⅛% DM Br Bd 1995/99 DM71.25
Toyobo FRN Feb 1998 Y18507.0
Warburg (SG) 9% Perp Sb Nts £90.0

■ WEDNESDAY FEBRUARY 18

Abbey National Treasury Gtd FRN 2002 £1973.51
Allied Colloids 0.725p
Archimedes Inv Tst 20p
BOC 6¾% Bd 2004 £67.50
Baggeridge Brick 2.75p
Baring Stratton Inv Tst 2.29p
Bradford & Bingley Bldg Scty Cllrd FRN 2003 £37.18
Cadcentre 1.2p
Credit Foncier de France 10¼% Gtd Serial Ln 2011/12/13/14 £256.25
FirstGroup 2.2p
Granada 10% 1st Mtg Db 2018 £5.0
Halifax Cllrd FRN 2003 £37.18
LAB Invs 7⅛% Sec Bd 2019 3.5625p
Mitsubishi Materials Dual Basis Nts 1998 Y24957.0
Nat West Bank Prim Cap FRN Ser B $309.86
Newmarket Venture Cap 2.5p
Second Consolidated Tst 2.1p
State Bank of New South Wales 9¼% Bd 2003 A$92.50
Do Ext FRN $309.86
Tamaris 0.02584p

■ THURSDAY FEBRUARY 19

Allders 5p
Century Inns 5.1p
Farepak 1.55p
Field 3.4p
Korea Exchange Bank Sb FRN 2006 $8324.72
NT & T 6% Nts 1998 $300.0
Nat West Bank Var Rate Cap Nts 2008 $161.6388
Robert Wiseman Dairies 1.32p
Royal Bank of Scotland 15.2p
Stagecoach 4p
Thomas Potts 0.0533p
Yapi Kredi Fin 10% Nts 2002 $50.0
Yrityspankki Skop Ser B Und Sb VRN $172.50

■ FRIDAY FEBRUARY 20

Abbey National Treasury 6.8% Gtd Nts 2001 L340000.0
Allied Domecq 15p
Amberley 0.48p
Arcadia 2p
Avco Tst Gtd FRN 2000 £196.29
Bank of Ireland Stlg Units Ser A 56.18125p
Do IR£ Units Ser A IR53.4p
British Land 2.45p
Carpetright 9.5p
Caterpillar $0.25
Coral Products 0.75p
Debenham Tewson & Chinnocks 1.3p
Hunters Armley 3p
Murray Int Tst 3.15p
New London Cap 1p
Royal Bank of Scotland FRN 2005 $97.67
Savills 1.25p
Scottish Power 8⅜% Bd 2017 $83.75
Siemens DM1.50
Tesco 8¾% Bd 2003 £87.50
Tunstall 3.32p
Wagon Indl 7p
Wells Fargo $1.30

■ SUNDAY FEBRUARY 22

NFC 7¾% Cv Bd 2007 £38.75

UK COMPANIES

■ TODAY

COMPANY MEETINGS:
Kunick, Marriott Hotel, City Centre, Leeds, 11.00
BOARD MEETINGS:
Finals:
Cliveden
Enviromed
Eurotunnel
Flying Flowers
Royalblue
Interim:
IAF

■ TOMORROW

COMPANY MEETINGS:
Aberforth Smaller Co's Tst, 14, Melville Street, Edinburgh, 6.30
Baggeridge Brick, Burlington Hotel, Birmingham, 12.00
Bradstock, Britannia Hotel, Grosvenor Square, W., 12.00
Fountain Forestry, Whately Hall Hotel, Banbury, Oxon, 11.30
Hardys & Hansons, Kimberley Brewery, Nottingham, 11.30
Legal & General Recovery Inv Tst, Temple Court, 11, Queen Victoria Street, E.C., 12.00
Western Selection, Honourable Artillery Co., Armoury House, City Road, E.C., 12.00
BOARD MEETINGS:
Finals:
Anglo & Overseas Tst
Barclays
Clondalkin
Dobbies Garden
Irish Permanent
Low & Bonar
Polyhedron
Sedgwick
Stadium
Temple Bar Inv Tst
Trust of Property Shares
Interims:
Freeport Leisure
Macro 4

■ WEDNESDAY FEBRUARY 18

COMPANY MEETINGS:
Hunters Armley, Queens Hotel, City Square, Leeds, 11.30
ML Laboratories, Institute of Directors, 116, Pall Mall, S.W., 11.00
Sage, Sage House, Benton Park Road, Newcastle upon Tyne, 11.00
BOARD MEETINGS:
Finals:
Allied Irish Banks
Mersey Docks
Rights & Issues Inv Tst
St Modwen Properties
T & N
Woolwich

■ THURSDAY FEBRUARY 19

COMPANY MEETINGS:
Electra Inv Tst, Connaught Rooms, Great Queen Street, W.C., 12.00
Howie, 12-20, Camomile Street, E.C., 12.00
Tomkinsons, Chantry, St Marys Church, Churchfields, Kidderminster, 12.00
BOARD MEETINGS:
Finals:
British Aerospace
Glaxo Wellcome
Provident Financial
Skillsgroup
Interims:
Brown & Jackson
Tor Inv

■ FRIDAY FEBRUARY 20

COMPANY MEETINGS:
Bankers Inv Tst, Drapers Hall, Throgmorton Street, 12.00
Greenalls, Belfry Hotel, North Warwicks, 11.30
BOARD MEETINGS:
Final:
Rank

Company meetings are annual general meetings unless otherwise stated. Reports and accounts are not available until six weeks after the board meeting to approve the preliminary results. This list is not comprehensive since companies are not obliged to notify the Stock Exchange of announcements.

CONFERENCES & EXHIBITIONS

Conferences & Exhibitions

FEBRUARY 17-18
The Euromoney International Bond Congress
A unique combination of a conference and exhibition. It gives bond market professionals the opportunity to hear from leading experts, discuss new ideas and develop new contacts. Over 1,100 delegates from 47 countries, including 450 investors, attended in 1997.
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Fax: +44 (0) 171 779 8396
QEII Centre, LONDON

FEBRUARY 26 & 27
Currency Options - Beyond the Basics
To provide participants with a good sound understanding of the product including pricing & function: Basic Terminology, Payoff Profiles, Put/Call Parity, Pricing Models, The "Greeks", Option Replication, Volatility, Simple Trading Strategies
£750.00 + VAT 2 DAYS
TFL Training
Tel: 0171-600-2123
Fax: 0171-600-3751
Email: sales@tfl-training.demon.co.uk
LONDON

FEBRUARY 26 & 27
Emerging Markets Project Finance Conference
2 day conference addressing $$$ billions in Multilateral Development Banking Contracts.
World Bank • EBRD • IFC • MIGA • Exim-Bank • OPIC • TDA • USDOC • Enterprise Funds...
TradeWinds Resort - St.Pete Beach, Florida
Contact: Bill Collins
Tel/Fax: 1-813-572-9035
www.famu.edu/emarkets/index.htm
USA

MARCH 2 & 3
FT Power in Asia
Focusing on Asia's financial turmoil and its effect on the region's power sector reform programmes. Senior executives from The World Bank, The International Energy Agency, Ministry of Electric Power - China, National Energy Policy Office - Thailand, The Tokyo Electric Power Company Inc. will be among the speakers addressing this FT conference.
Enquiries: Lucinda Roberts,
FT Conferences Tel: +44 171 896 2120
Fax: +44 171 896 2696/2697
Email: lucindar@pearson-pro.com
LONDON

MARCH 2 - 4
Essentials of Corporate Finance
• Corporate Objectives • Financing Companies • Debt • Equity • M&A and Valuation Issues • Time Value of Money/DCF Techniques • Cost of Capital • Dividend Policies • EPS
3 DAYS £875 + VAT
Contact: Birchin International plc
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Fax: 0171 628 4113
Email: birchin@birchin.com
LONDON

MARCH 3 & 4
International Banking Systems
The largest back office event of its kind • 30 internationally recognised speakers • 30 exhibiting companies • Discuss the future of international banking - post EMU • Debate the future of FX clearing and settlement • Hear from banks that have re-engineered their back offices in the quest for straight through processing • Gain an overview of the impact of the internet and intranet on international banking • Take an in depth look at risk management
Contact Nick Noakes
Tel: 0181 948 5322 Fax: 0181 948 6299
LONDON

MARCH 3-4
The Added Value Finance Function
Now that more basic functions are outsourced, this conference examines ways in which senior finance executives are increasingly focusing on higher value added, decision support activities to serve strategic business objectives.
Contact: Jane Mills
Tel: 0181 879 3355
Fax: 0181 879 1122
Email: jane.mills@business-intelligence.co.uk
LONDON

March 4
Application Mining
Strategies for Leveraging Legacy Technology
FREE Bloor Research Conference
This free Bloor Research conference will address the issues surrounding Application Mining and leveraging legacy technology. By attending key decision makers will gain a practical understanding of how Application Mining can help to resolve the problems created by legacy technology and enhance an organisation's investment in software.
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www.bloor.co.uk
Bloor Research
Central London

MARCH 5
Central and Eastern Europe Investment Forum
PlanEcon and Standard & Poor's *DRI* assess the East European and FSR investment climate including banking, energy and automotive industry analysis. Seminar features Mr. Sergey Alexashenko, first Deputy Chairman of the Central Bank of Russia and Mr. Svetoslav Gavriisky, Governor of the Bulgarian National Bank.
Contact: Corinne Redonnet
in London 0181 545 6212
Internet: http://www.planecon.com
The Brewery, LONDON

MARCH 05-06
THE ECONOMIST CONFERENCES
Key Operating and Investment Issues in Ukraine
Second Annual Conference
For further information contact:
Ms Gerlinde de Leonardis,
Ms Monika Davies.
The Economist Conferences
Tel: (43.1) 712 41 61 0
Fax: (43.1) 714 67 69
Hotel Inter-Continental, VIENNA

MARCH 5 - 6
Fundamentals of Swaps
• Market History and Development • Swaps Market Players • Basic Swap Mechanics • Interest Rate Swaps • Currency Swaps • Swaps Maths • Practical Applications
2 DAYS £795 + VAT
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Tel: 0171 628 4112
Fax: 0171 628 4113
Email: birchin@birchin.com
LONDON

MARCH 5 - 6
Introduction to Bond Markets
Covers key aspects of bond markets - pricing, origination, distribution & trading. Includes uses of swaps, switches, repo, coupon stripping and options. • Essential bond mathematics • Pricing & distribution of primary issues • Secondary markets trading • Financing of inventory • Settlement and clearing systems • Bond/swap structures • Zero coupon rates and coupon stripping
Contact: BPP Training and Consultancy
Tel: 0171 628 8444 Fax: 0171 628 7818
Email: bpptraining@compuserve.com
Website: www.bpp.co.uk
LONDON

MARCH 6
Leadership for the 21st Century
David Becket of Barclays Bank, Bridget Blow of Imet and Kenneth Foster of Motorola will share with you their experience of successful leadership within their organisations.
Contact: Alison Williams at The Industrial Society
Tel: 0171 479 1000
Fax: 0171 479 1111
LONDON

MARCH 10 & 11
Treasury Systems '98
This two day Conference and Exhibition offers a unique opportunity to explore issues that will influence decisions relating to systems and technology decisions.
For further details, please contact:
Kathy Brennan, The Association of Corporate Treasurers
Tel: 0171 213 9728
Sponsored by ABN AMRO
LONDON

MARCH 12
Investing in Gulf Stock Markets
A one-day event to define the character and opportunities of the stock markets of Bahrain, Kuwait, Oman, Qatar and Saudi Arabia for stockbrokers, investment analysts, advisers, and all those active in the financial markets of the Middle East
Contact: MEED/MEEDMONEY Conferences
Tel: 0171 470 6407/6200
Fax: 0171 430 0337
e-mail: michaelt@meed.emap.co.uk
Regents Park Forte Hotel, LONDON

MARCH 12 - 13
SWAPS Workshop 1
Highly practical course covering the structure, use and valuation of the common swap types & an overview of trading practice and essential mathematics. Ideal for trainee dealers, salespeople, support staff, systems staff, auditors: • Development of the market • Interest rate swaps • Currency swaps • Swapped bond issues • Mark-to-market • Documentation
Contact: BPP Training and Consultancy
Tel: 0171 628 8444 Fax: 0171 628 7818
Email: bpptraining@compuserve.com
Website: www.bpp.co.uk
LONDON

MARCH 16 & 17
FT World Pharmaceuticals Conference
Confirmed speakers at this major FT conference, arranged with Coopers & Lybrand, include Mr Ernesto Bertarelli, Ares-Serono, Dr William Bogie, Medeva PLC, Dr Peter Read, Hoechst Marion Roussel Limited and Mr Edward R Roberts, Merck KGaA
Contact: Sarah Gibb, FT Conferences
Tel: +44 171 896 2639
Fax: +44 171 896 2696
Email: sarahg@pearson-pro.com
LONDON

MARCH 16 - 27
Global Credit Analysis
Intensive credit seminar based on American banking credit training principles. • Evaluation of corporate management strategies • Non financial information • Risk/industry/business analysis • Review of accounting principles and financial statements • Financial, ratio and cashflow analysis • Credit facility structuring • Corporate failure • Asset based financing • Analysis of financial institutions • International case studies.
Contact: BPP Training and Consultancy
Tel: 0171 628 8444 Fax: 0171 628 7818
Email: bpptraining@compuserve.com
Website: www.bpp.co.uk **LONDON**

MARCH 18, 24, MAY 20
VRIMI '98 - UK VR Forum
Three one-day briefings by the Department of Trade and Industry to raise awareness of the achievable benefits of Virtual Reality in the manufacturing industry.
Warwick University, Coventry, Manchester, Teesside University, Middlesbrough.
Tel: 0181 292 1449
vrimi@vnews.com

MARCH 19 & 20
Korea: A unique opportunity to meet the New Leadership
An FT Conference
This timely conference will be the first to be addressed by newly-elected President Kim Dae Jung and his incoming government, providing the international business and financial communities with the opportunity to review new government policies and assess implications for foreign investment and trade.
Contact: Christopher Kelly,
FT Conferences Tel: +44 171 896 2633
Fax: +44 171 896 2696
Email: ck@pearson-pro.com
The Hilton, SEOUL

MARCH 22 - APRIL 4
Retail and Wholesale Banking Seminar
For dealers/bankers from the international markets. Residential seminar emphasising links between retail banking and wholesale markets incl dealing simulation and City educational visits. Full details on website http://www.lywood-david.co.uk.
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Booking by fax: UK 44 (0)1732 463015
LONDON

MARCH 23 - 25
Evaluating Banks
• Banking Supervision and Regulation • Financial Information • Key Ratios and Capital Adequacy • Political, Economic, Social and Technological Risks • Country Risk Exposure Analysis • Emerging Markets • The Role of Credit Rating Agencies
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MARCH 23 - 25
Power Ink's International Private Generation Workshop
In association with Mott MacDonald.
Three day intensive course designed to provide participants with a detailed understanding of the content and structure of the agreements that underlie successful international power generation schemes.
Sponsors: Dresdner Kleinwort Benson.
Tel: 44 (0)1730 265095
BRIGHTON

MARCH 24-25
GULF 98
Energy, Infrastructure & Finance in the Middle East
Hear senior Gulf ministers, top international business people and leading representatives of international agencies give an update on economic trends and major investment plans in the region over the next 10 years.
Contact: Michael Lefante
Tel: 0171 470 6407/6200
Fax: 0171 430 0337
e-mail: michaelt@meed.emap.co.uk
The Beach Hotel, ABU DHABI

Conferences & Exhibitions

March 24-26
The 3rd International Financial Fraud Convention
Financial Fraud presents the most serious challenge to the stability of financial institutions and markets today. Timed to coincide with the UK Presidency of G7 and EU, senior executives from multinational banks, IMF, World Bank, UN, FATF, EU, US Treasury, will comprehensively examine recent initiatives towards a global standard of fraud prevention, the vulnerability of institutions and markets, and strategies for asset discovery and recovery. Applicable for senior executives responsible for their organisation's compliance, supervision, and the protection of its financial and operational integrity.
Contact: Trevor Gee
Tel: +44 (0) 171 419 1000
Fax: +44 (0) 171 419 1050
E-mail: info@financialfraud.com
http://www.financialfraud.com
Central London

March 24, 25 and 26
Senior Power & Gas Executives
5th Central & Eastern European Power Industry Forum (CEEPIF 98)
March 24, 25 and 26 Warsaw
Keynote: Minister Emil Wasacz, Ministry of Treasury, Poland, Privatisation, Finance, Regulation, plus Shell & Gazprom's Cooperation Programmes.
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Fast lane, slow corridor

DATELINE

Moscow: corrupt traffic police in the vanguard of the city's road wars highlight Russia's descent into anarchy, writes Chrystia Freeland

Lenin's Bolsheviks promised that in their communist utopia the state would "wither away". But it is only under Russia's new capitalist rulers that the pledge is beginning to come true.

Riven by feuding political clans at the top and served by ill-paid bureaucrats (when they are paid at all), the Russian state is barely able to perform many of a government's vital functions. Instead, it is becoming a disparate army of civil servants, each bent on pursuing their own interests and leaving the rest of the nation to do the same.

Russia's descent into anarchy is readily apparent on the streets of its cities, particularly its frenetic capital. Moscow's drivers are a free-wheeling bunch, readily breaking speed-limits, violating the city's cruel maze of one-way streets and even, in extreme circumstances, bursting into lanes for opposing traffic.

That may not be unusual in big cities. But what sets Russian streets apart is the unusual rôle played by traffic police. Rather than sticking to their more traditional duties as arbiters and enforcers of the country's laws, Moscow's traffic cops have become fully fledged – and fully armed – participants in the city's road wars. They make particularly menacing combatants because they have the law, such as it is, on their side.

And so, as they dodge the blue-flashing lights of high-ranking government officials and well-connected magnates, Moscow drivers must also avoid an even more ubiquitous threat: the underpaid traffic cop. With a tireless industry indicating just how swiftly Russians have grasped the principles of market economics, the omnipresent police flag down passing cars from thousands of stake-out spots across the city. It matters little whether an overt traffic violation has been committed. Russia's morass of rules, including a Moscow ordinance banning dirty cars from the city's slush-filled streets, means almost every driver is guilty of something.

In the end, the matter is usually settled with an "on the spot fine", between Rbs 20-50 (£2.20-£4.97) A creative traffic cop recently sent a western motorist to a supermarket with a shopping list including cognac and chocolates.

Traffic police are a humble example of the disintegration of the Russian state. Less overt – but more expensive – is the transformation of the country's bureaucracy into a vast array of personal interests.

Muscovites experience this phenomenon most painfully in the annual ordeal of renewing a car's "technical inspection" certificates. Queues outside the inspection office have long been formidable, with canny drivers arriving the evening before and spending a cramped night in their cars.

With lines getting ever longer, most drivers have concluded that the only way to make it to the front is an appeal to the financial instincts of the inspectors.

Some pay their way to immediate service. But, as Sasha, a professional chauffeur and veteran of nights outside the inspection office, explained: "They won't take money from just anyone. You have to know them."

Nor are non-drivers immune from the privatisation of Russian government services. At every point of contact with officialdom – from paying taxes to arranging a funeral – Muscovites can find themselves hit on for cash by their own civil servants.

Seeking to register for obligatory health insurance, the manager of one Moscow office found herself forced to pay $300 to Marina, a middle-aged healthcare bureaucrat. If Marina did not receive her fee, she warned, "I'll make you come back here 300 times to fill in your form properly. You'll spend your life in my corridor."

For many Muscovites, the splintering of government has become a daily torture. But a younger generation is growing accustomed to the haphazard environment.

"Look, the current situation is great for me," explains Vladimir, a 23-year-old law student at Moscow State University already employed by one of the city's top investment banks. "If I need a bureaucrat, I can buy him. If I want to drive fast, I pay to do it."

Unshackled by the rules pertaining in more settled societies, the fittest survive, and thrive. But, every so often, the Russian muddle offers its own compensations for the weak or unfortunate. Beneath the corruption and the venal self-interest, Russian culture is still marked by a love for the underdog.

Take Moscow's Sheremetyevo airport, where officials are notoriously difficult. But all can be transformed if you should happen to burst into tears over some small personal disaster – being trapped without a visa, or about to miss a sister's wedding. Surly ticket agents and snarling border guards can suddenly turn solicitous, plying you with pilfered wine, bending official regulations, or waiving charges.

For one brief moment, these unexpected kindnesses can be enough to make you believe that Russian anarchy may not be so bad after all.

The Monday Profile: Arthur Ryan

Talent for the big turn-around

Arthur Ryan, chief executive of Prudential Insurance of America, seems to have guaranteed himself a prominent place in US corporate history. He announced last week that he is starting the process of converting the Pru into a public company, in the largest demutualisation ever seen in the US.

During the last 10 years he has presided over attempts to turn around two of the most powerful names in US financial services, both of which had fallen on hard times.

From 1990 until the end of 1994, he was president of Chase Manhattan, once the world's largest banks. Chase had been hurt first by loan losses in the developing world in 1987 and then by huge commercial real estate losses in the early 1990s. There was speculation that it faced either insolvency, or an ignominious takeover.

Mr Ryan had risen through the ranks of Chase's retail banking division, and was known as an aggressive "hands-on" operator, with an uncanny memory for detail. His aim was to cut $300m (£179m) from operating costs annually. He also sold operations and assets, such as leasing and some of its small overseas operations, in an attempt to sustain its independence.

Chase's performance improved significantly while its operations were under control, and fears of insolvency or a forced takeover were averted. But the company's share price never reflected the improved performance, and a few months after he left, it announced its merger with Chemical Banking.

Termed a merger of equals, the deal was plainly a takeover of Chase by Chemical, whose executives occupy most senior posts in the new bank.

When Prudential – a New Jersey-based operation unconnected to the quoted UK insurer of the same name – persuaded him to leave Chase, it was interpreted in some quarters as a dramatic gesture by an institution which tends to promote from within.

Prudential is still the largest life insurance company in the US, and remains its largest mutual institution, but his appointment came when it had run into serious trouble. The job so far has involved nothing but fire-fighting.

Shortly after he took over, it reported a $811m loss for 1994, mostly thanks to the $1.4bn costs from settling lawsuits over the Prudential Securities' division's sale of limited partnerships.

Analysts were angry about the Pru's high expenses. They also thought the company was spread too thinly, with uneconomic holdings in several businesses; a complaint which had also been made about Chase when he took over as president.

In his first year, Mr Ryan announced a radical restructuring, which involved the loss of more than 1,000 jobs, and cut $800m from the annual expense bill. He also sold off the company's reinsurance subsidiary via a public flotation.

Then he embarked on a legal battle to settle action against the systematic over-selling of insurance policies by Prudential agents who were blatantly motivated by commission. A settlement of $1.7bn, which would end the matter, is now under appeal in a Pennsylvania court.

Mr Ryan could be excused for wanting a rest from fire-fighting. Instead, he announced the demutualisation plan last week. That announcement ensures another two years of hectic change.

The Pru needs to convince the legislature in its home state of New Jersey to pass a law before it can start the process.

Then it will need to get the decision cleared by the labyrinthine US insurance regulatory system. Each state has its own insurance commissioner, often an elected politician, and the Pru will need to clear the deal with all of them.

And then it will need to persuade its policyholders, all 11m, to vote in favour.

But the prize is clear. The Pru has lost respect during its recent troubles, and has given ground to competitors. But it remains the best-known insurer in the US. Its Rock of Gibraltar logo gives it one of the strongest brands in retail financial services.

Armed with the capital it raises from the demutualisation, and with the share price as an acquisition currency, it can look to buy a mutual fund company, or even a bank if regulations allow it by then, and compete directly with the biggest names in the US.

If it succeeds – and Mr Ryan points out that the company may yet be obliged to abandon the demutualisation – it would complete a remarkable corporate turn-around. More work must be done in the next two years. Mr Ryan has to demonstrate that the legal disputes have been settled. He also needs to reorganise further and even sell some businesses – the Pru's healthcare operation has been informally up for sale for some time. The issue must be resolved before the company's shares come to market.

His ambitions may not end there. A quoted Prudential could also become a formidable competitor on the international stage, and he knows it: "We recognise that even with all our considerable strengths and resources, Prudential must change to remain competitive. A publicly traded Prudential would be a formidable presence in the global financial services marketplace."

John Authers

FT GUIDE TO:

PRINCIPAL FINANCE

So what's all the fuss about principal finance?
Principal finance has been the means whereby a scandal-hit Japanese investment bank has funded an enormous shopping list for prime British assets. Nomura International, the European arm of the Japanese investment bank, has become the largest owner of British pubs. It has made a packet buying a privatised train-leasing company. It owns much more military housing than the military. And most recently, it took a shot at The Energy Group, the £4bn ($6.6bn) ex-Hanson company which provides the power for Newcastle. Nomura pulled out of the latter deal on Tuesday, in the face of Energy Group's rising shares and perceived political opposition, but more bids will follow.

What makes these different from other big City deals?
Certainly, Nomura is following in the footsteps of the great conglomerate raiders of the 1960/1970s, and leveraged buy-out firms of the 1980s. Its strategy is to pounce on undervalued cash-generative businesses, make the assets sweat and then sell them.

But Nomura has introduced two innovations. One is that it is an investment bank putting up its own capital. Admittedly, this is what the merchant banks did in the last century, investing risk capital in various ventures. But in recent decades, investment banks shifted towards advisory roles for fat fees. Direct investment was seen as creating a conflict of interest with a bank's clients, who might well be interested in bidding for the same businesses. The other Nomura innovation was bringing securitisation into acquisition finance.

So what is securitisation?
The process whereby assets or businesses are repackaged as securities and sold to outside bond investors. These bonds are backed by the cash-flows of the business. Most commonly this would be property rentals, or credit card and mortgage receivables. But recently, bonds have been backed by royalties from David Bowie records, tequila shipments and even a library of films from James Bond to soft pornography.

The appeal of securitisation is that bonds can be structured to achieve a high investment grade from credit rating agencies, allowing them to pay a low rate of interest. They are very different from the junk bond bids of the late 1980s. They provide cheap financing for the issuer. For the investor, there is a higher yield than is offered by an ordinary corporate bond of the same credit rating.

But what's that got to do with takeovers?
Nomura spotted that equity investors were frequently uninterested in companies with strong cashflows but little growth, such as leased pubs. Repackaged as bonds, they become attractive investments that can trade at low yields. Therefore the principal financier could issue short-term securitised bonds as a means of repaying his investment. During the life of these bonds, say two or three years, the business could be restructured, new management shipped in, and profits increased. The business could then be sold, by flotation, trade sale or long-term securitisation. And since the principal financier kept the shares of that company at an effective cost of about zero, potential profits are substantial.

So who's behind all this?
The idea came from a 38-year old Oxford economics graduate named Guy Hands. He thought it up during his 12-year stint at Goldman Sachs. He decided that he needed to find an employer that could provide large amounts of cash, but would also leave him alone. Nomura fitted the bill, having a head office a long way away and few corporate clients, so few conflicts of interest in regard to deals.

Since he formed Nomura's principal finance group in December 1994, it has grown to more than 70 people and has spent more than £8bn.

How much money has all this generated?
Reports of Mr Hands' £40m salary appear extremely over-exuberant, but he has clearly generated a rock style salary from his work. He works from 6am to midnight most days, which would certainly get in the way of a rock star life style. Nonetheless, he has found the time to marry, have four children, and run a few private property deals as well.

Nomura has not done badly either. Its $2.2bn investment in AT&T's leasing business yielded a 70 per cent return in little over a year. It made about £330m from selling Angel Train Contracts, the former British Rail subsidiary. It has a several other investments that are going well, against the backdrop of a rising stock market. But it does, on the debit side, have a large salary and technology bill.

Lastly, shareholders in target companies have benefited from the fact that securitisation techniques have justified higher buy-out prices.

Is it here to stay?
Certainly, principal finance groups have proliferated, and competition is driving up prices. Nomura faced one other bidder for Angel Trains, but 20 competitors had appeared by the time it bid for Annington Homes. However, as the UK market becomes saturated, principal financiers will look further afield. Nomura may even take its expertise back to Japan.

An upward shift in interest rates would also make life more difficult – it is the recent fall in bond yield that has made securitisation such a cheap financing tool. Nonetheless, principal finance looks set to remain a permanent feature on the takeover battlefield.

Simon Davies

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Price for Trading on [illegible] | Final Prices for Trading on [illegible]

½ hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	12.00	10.63	10.69	0.00
0100	23.82	18.87	19.05	0.93
0130	23.82	27.22	27.41	0.93
0200	33.82	27.22	27.41	0.93
0230	33.82	27.22	27.41	0.93
0300	33.82	18.87	19.05	0.93
0330	23.82	46.23	46.41	0.93
0400	23.82	46.23	46.41	0.93
0430	16.53	19.21	19.39	0.93
0500	17.91	18.87	19.05	0.93
0530	10.56	21.16	21.34	0.93
0600	16.13	17.57	17.75	0.93
0630	16.13	18.00	18.18	0.93
0700	16.13	18.00	18.18	0.93
0730	16.13	11.55	11.55	0.00
0800	10.58	11.55	11.55	0.00
0830	10.58	11.55	11.55	0.00
0900	10.58	18.00	18.18	0.93
0930	19.30	18.00	18.18	0.93
1000	19.61	18.00	18.18	0.93
1030	19.61	20.29	20.48	0.93
1100	19.61	20.29	20.48	0.93
1130	19.61	20.29	20.48	0.93
1200	21.48	20.29	20.48	0.93
1230	21.48	20.29	20.48	0.93
1300	21.48	20.29	20.48	0.93
1330	21.48	20.29	20.48	0.93
1400	19.55	20.29	20.48	0.93
1430	10.71	19.20	19.38	0.93
1500	10.71	12.10	12.10	0.00
1530	10.71	11.50	11.50	0.00
1600	10.71	11.55	11.55	0.00
1630	10.71	19.20	19.38	0.93
1700	10.57	19.20	19.38	0.93
1730	10.54	26.26	26.44	0.93
1800	10.70	52.15	52.34	0.93
1830	23.58	52.15	52.34	0.93
1900	33.68	29.00	29.18	0.93
1930	33.68	26.26	26.44	0.93
2000	27.13	19.20	19.38	0.93
2030	24.44	19.20	19.38	0.93
2100	10.71	19.20	19.38	0.93
2130	21.25	19.20	19.38	0.93
2200	21.25	12.20	12.20	0.00
2230	10.71	12.10	12.10	0.00
2300	10.71	19.20	19.38	0.93
2330	10.71	12.20	12.20	0.00
2400	10.71	12.05	12.05	0.00

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.80/MWh becomes 1.880p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool [illegible]

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Price for Trading on [illegible] | Final Prices for Trading on [illegible]

½ hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	10.71	12.20	12.20	0.00
0100	18.75	19.20	19.14	1.26
0130	16.46	19.20	19.14	1.26
0200	17.15	19.20	19.14	1.26
0230	19.35	19.20	19.14	1.26
0300	19.35	51.34	51.29	1.26
0330	19.35	19.20	19.14	1.26
0400	19.35	19.20	19.14	1.26
0430	19.35	19.20	19.14	1.26
0500	16.48	19.20	19.14	1.26
0530	10.60	22.00	22.00	0.00
0600	10.55	12.10	12.10	0.00
0630	10.55	12.10	12.10	0.00
0700	12.60	12.20	12.20	0.00
0730	19.38	36.73	36.67	1.26
0800	22.86	41.04	41.01	1.26
0830	27.88	37.03	37.03	1.26
0900	35.43	41.35	41.42	1.26
0930	27.88	43.70	43.84	1.26
1000	47.92	49.61	49.79	1.26
1030	47.92	49.69	49.82	1.26
1100	44.34	49.64	49.82	1.26
1130	44.34	49.74	49.98	1.26
1200	44.34	49.84	50.08	1.26
1230	44.34	48.57	48.80	1.26
1300	44.34	46.45	46.62	1.26
1330	98.96	48.21	48.34	1.26
1400	98.96	48.09	48.18	1.26
1430	47.92	44.15	44.21	1.26
1500	38.75	44.10	44.14	1.26
1530	37.20	44.15	44.20	1.26
1600	38.56	44.90	45.19	1.26
1630	38.77	62.86	63.16	1.26
1700	38.91	79.23	88.22	1.26
1730	48.00	133.94	144.19	1.26
1800	82.32	129.75	138.91	1.26
1830	82.30	76.97	80.25	1.26
1900	51.44	58.63	61.04	1.26
1930	48.12	45.74	46.35	1.26
2000	47.13	43.09	43.25	1.26
2030	37.20	43.52	43.50	1.26
2100	41.19	42.42	42.37	1.26
2130	37.25	36.86	36.81	1.26
2200	37.25	37.12	37.06	1.26
2230	22.86	35.58	35.52	1.26
2300	12.70	21.79	21.72	1.26
2330	12.67	27.36	27.30	1.26
2400	12.67	21.50	21.54	1.26

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.80/MWh becomes 1.880p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool [illegible]

Economic Notebook · **Wolfgang Münchau**

Why the professors are wrong

Siren voices made the tactical error of becoming fixated on fractions

Germany's Emu-sceptics could have won the argument. The economic developments during much of the 1990s were on their side: the economics of German unification came off the rails; the exchange-rate mechanism fell apart; and unemployment soared. In a way it is astonishing that Emu is still on track.

So why have the sceptics failed? It boils down to a series of misjudgments about convergence in other EU countries and misplaced optimism that some unknown force would stop Emu ahead of 1999.

There were always individual siren voices. But as a group Germany's sceptics never dared argue publicly that Emu was wrong in principle. Instead, they shifted the argument to a technical level. This is where they got mixed up.

One argument for a delay cited by the 155 economists in their letter to the Financial Times last week was high unemployment. There were many sceptics in the UK and France who have argued for years that convergence of the real economy – of economic growth and employment – should have been taken more seriously. But it was the German government that argued against the inclusion of such criteria in the Maastricht Treaty.

Germany prevailed as the EU adopted a series of numeric fiscal and monetary targets. Qualification or non-qualification for Emu would be a binary decision. A country would either qualify or not, and the process would have to be obvious to everybody. The idea was to avoid economic judgments that are vulnerable to being challenged.

For many years, the German debate about Emu was dominated by a fixation on numbers and fractions. Where were all these economists during those years? Why did they not criticise the criteria themselves, instead of demanding their strict application?

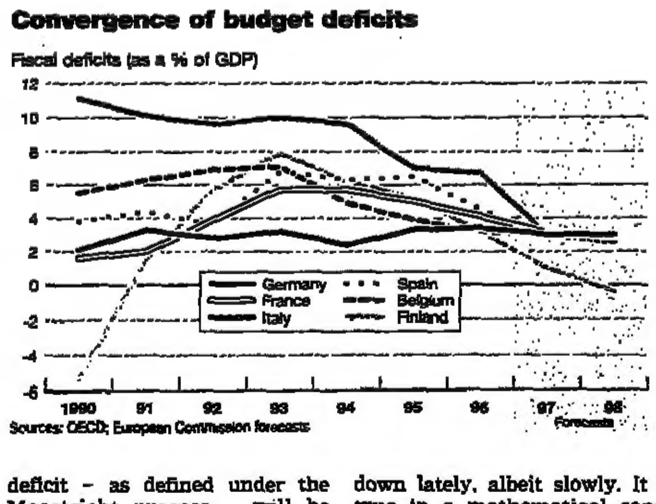
Most probably, they believed that the numeric fiscal and monetary criteria were perfectly suited to achieve the favoured goal: that Emu be restricted to a small hard-core group if it goes ahead at all.

As the criteria lost their ability to achieve the desired level of discrimination, the arguments shifted. Having spent years extolling the benefits of strict application of the criteria, the sceptics suddenly talked about sustainable convergence. The problem is that sustainability cannot be measured. It can only be judged. This is precisely what Germany sought to avoid at Maastricht.

Sustainability is explicitly mentioned in the treaty, but it will be difficult to invoke it as an argument to exclude a country that has otherwise fulfilled the criteria in a numeric sense.

Italy is viewed among sections of the German establishment as persona non grata in terms of Emu. This prejudice applies to a lesser extent to Spain and Portugal. The panic that has now gripped the sceptics corresponds to the extent to which these countries have succeeded in fulfilling the Maastricht criteria one by one. Italy's 1997 budget deficit – as defined under the Maastricht process – will be comfortably below 3 per cent of GDP, as will Spain's and Portugal's.

Convergence of budget deficits



Sources: OECD; European Commission forecasts

What about the other criteria? Exchange rates and interest rates are self-fulfilling conditions. They are met once the markets are convinced that a country will qualify. Everyone, except Greece, meets the inflation target. This leaves the debt as the remaining condition on which one could conceivably justify Italy's exclusion.

Italy is way out of line on its public debt with a debt-to-GDP ratio of 123.7 per cent in 1996, more than twice than the Maastricht reference level of 60 per cent. The debt criterion is somewhat more flexible because it is seen as sufficient if countries approach, rather than meet, the reference level.

The rates have been coming down lately, albeit slowly. It is true in a mathematical sense that a number that approaches 100 also approaches 60. But it will be interesting to watch EU leaders keeping a straight face when they argue this point.

But whatever they do, they cannot apply the debt condition in such a way that Belgium will be included and Italy will not. At 130 per cent Belgium's debt-to-GDP ratio is even higher than Italy's. Unfortunately, Germany always insisted that Belgium should be in – for geo-political reasons and irrespective of the criteria.

At the time, it did not seem necessary to invoke the debt condition because the budget deficit criterion looked far more promising as a cutting tool.

The crude truth is that Germany's economic establishment never wanted monetary union with Italy – or Spain, Portugal and Greece. This itself was ultima ratio, and has nothing to do with deficits or debt. The trouble was that there was no legal way to include such prejudice into a European treaty.

So they opted for what they thought was a second best choice: a set of criteria that, in 1990, Italy and other southern European countries seemed to have no realistic chance of fulfilling within a generation. As a tactic, it was too clever by half.

The sceptics are now staring at prospect of a broad-based Emu within less than a year. Some are praying that Germany's constitutional court might stop Emu at the last minute. But this seems improbable.

In their letter to the Financial Times the professors were calling for a two-year delay. But two years will not suffice to bring Italian and Belgian debt levels close to 60 per cent. Nor will two years of further convergence succeed when eight years in their judgment have failed. And why exactly two, and not five? It was after all a logical flaw of the Maastricht Treaty that it tried to set a timetable and criteria simultaneously.

Even at this late stage Germany's sceptics cannot get themselves to saying openly what they have always meant to say but never dared: that Emu is against Germany's economic interest in the absence of political union, and that it should therefore be postponed indefinitely.

It is too late now.

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Some of Russia's largest companies are flagrantly abusing shareholder rights, says **John Thornhill**

The bear takes on the market

In a country long wedded to the idea that all property is theft, it is perhaps not surprising that Russia has been struggling to establish the concept of ownership rights.

But the issues affecting how to buy, protect and sell private property are rapidly rising to the top of the Russian government's agenda following a spate of corporate scandals. "Only if we secure the full defence of shareholders can we count on Russian enterprises receiving investment," is the conclusion of Dmitry Vasiliev, head of the Federal Securities Commission, which is charged with bringing order to Russia's chaotic markets.

Some investors have been horrified to discover that MGTS, Moscow's biggest telephone company, has just voted to issue an additional 50 per cent of its share capital to the city government for free. At the same time, the fledgling securities commission is investigating alleged abuses of minority shareholder rights at Yukos and Sidanco, two of Russia's best-known companies.

In a recent letter to the commission, Boris Fyodorov, the former finance minister and MP, warned that unless the authorities acted in such cases "no one will invest in Russian securities any more".

"There is a bit of a bear market in shareholder rights in Russia at the moment," says Stephen Barber, a director of Pictet, the London-based fund management group, which has been among the most enthusiastic foreign investors in Russia. "We are certainly disturbed by what we have seen over the past month or so."

To some extent, shareholder scandals were always to be expected in Russia and have been partly discounted by the stock market. Russian assets still trade at a fraction of the valuations established in more secure legal markets, such as the US, precisely because of the country's inherent risks.

In the confusion of mass privatisation, thousands of companies were tipped into the private sector with little understanding of how a market economy worked. Whole ministries and giant industrial production units were turned into western-style corporations but are still managed by Soviet-era "red directors". Moreover, many of these privatisations sparked fierce fights for control between entrenched managers and outside shareholders, which remain unresolved to this day.

Russia's reformers argued that the market's invisible hand would be the best means of forcing errant companies into line. The stock market would prove an effective mechanism for rewarding good corporate governance and punishing bad. Once managers or outside shareholders gained control of an enterprise, the theory ran, they would quickly appreciate it made greater economic sense to increase the company's overall stock market value by treating all investors properly than by siphoning off assets.

To some extent, this has been happening. Some of Russia's biggest companies have taken giant strides in opening themselves up to the outside world, conducting international-standard audits and encouraging foreign investors to buy their stock. So, for example, Lukoil, Russia's most progressive oil company, has boosted its stock market value to $13bn (£7bn) by treating shareholders with respect. That far outstrips the market value of several rival companies, which have similar asset bases but less transparent management.

Such arguments clearly become less compelling when the stock market is falling – as it has been in the wake of Asia's financial turmoil – and companies cannot exploit their stock market strength to raise cheap capital. But what has been alarming investors is that, contrary to theory, abuses of shareholder rights seem to be becoming more frequent and flagrant. Even some of Russia's biggest oil companies, which are supposed to be the most sensitive to investors' concerns, are now trampling on minority shareholders' rights.

"These companies may see one last opportunity for short-term gain by abusing minority shareholders and think that in three to four years' time everyone will have forgotten about it," says one Moscow-based banker.

"That may be economically defensible in individual cases but unfortunately it is now so widescale that it may turn into a systemic problem – as it was in the Czech republic – with no one wanting to touch Russian shares."

Some Russian managers respond that foreign investors have no one to blame but themselves for failing to conduct basic research into particular companies while the whole stock market was booming last year. Certainly, stockbrokers, champing at the chance of earning juicy commissions, have not been keen to highlight the potential pitfalls of the Russian market. Investor expectations simply ran ahead of realities, whittling away Russia's appropriate risk premium.

Such views are privately echoed by some foreign fund managers, particularly with regard to MGTS's share issue. "Anyone who did not know about this provision should not call themselves a research analyst," says one fund manager. "It was just poor research. I think it was always overhanging the stock price."

But while there is clearly an onus on investors to conduct more rigorous research in such an opaque market as Russia, there is also a broader recognition by the government that it must do more to clean up the country's corporate act. Both president Boris Yeltsin and Victor Chernomyrdin, the prime minister, earlier this month trumpeted the government's intent to entrench property rights more effectively.

At one level, much can be achieved simply by enforcing Russia's security laws more effectively. Many market participants praise the Federal Securities Commission's diligence in investigating abuses of shareholder rights but suggest it must be given greater powers of sanction. Investors have also shown that Russia's legal system can be used as an effective means of redress.

But some sceptics highlight the government's difficulties in defending its own shareholdings, pointing to a recent case of the Krasnoyarsk hydro-electric plant, which has been the subject of a fierce battle between the majority state-owned electricity company and the powerful privately owned aluminium plant.

"If the state cannot defend its property rights in such cases then what earthly hope is there for anyone else?" asks one western banker.

MY SECRET WEAPON

Sir Richard Greenbury on detail

Never be satisfied and never become complacent

[illegible]

Interview by Vanessa Houlder

Generation X comes of age

Diane Summers looks at the new breed of managers entering the workplace

Generation X, which arrived between 1965 and 1981, is growing up. If you have been in the habit of thinking of X-ers as nihilistic layabouts, now is the time to start adjusting to the fact that some of them are managers.

Jay A. Conger, executive director of the Leadership Institute at the University of Southern California, has been studying Generation X managers and looking at the differences between them and their predecessors, the Baby Boomers (1943-1964).

Four prominent X-er traits have implications for today's workplace, writes Mr Conger in Strategy and Business, the quarterly journal published by consultants Booz Allen & Hamilton:

- The need for balance between work and private life. X-ers tend to be the children of parents who both held jobs. "They felt deprived of their parents' company, a situation aggravated by the fact that a very high percentage of them were the children of divorce," he says. They apparently want to build more traditional families and to be more available to their children.
- The need for independence and mobility. X-ers believe you get better salaries and challenges not by waiting patiently to move up the ladder, but by moving between companies. "The objective for each job is to use it to build skills that will create opportunities for the next job. Loyalty is only to yourself and your teammates, not to the boss or the company."
- Fluency with computers. X-ers are the first generation to have grown up with computers – "they are, in essence, the first true Information Age managers". Older generations of managers, who may feel threatened, need to "harness the knowledge and facility of Generation X, not restrain it".
- The need for a workplace that feels like a community. X-ers are the first generation to feel a significant absence of community in their lives, says Mr Conger. "Their communities, instead, tend to be small circles of friends. For this very reason, workplaces that are able to create a true sense of commmity become the preferred work environments for this generation. And teamwork is a favoured way of creating momentary communities."

When the competitor turns predator

John Kay

Should Rupert Murdoch be allowed to cut the price of The Times in the UK? The result has been lower prices for all quality national newspapers (except this one), more vigorous competition between them and higher newspaper sales overall. On the face of it, competition is working as it should.

The argument for intervention is that what we see is predatory behaviour. The predator is someone who uses low prices to put his rival out of business, expecting to recoup his losses by raising prices when the competition has gone. There are not many documented cases of this actually happening.

John D. Rockefeller used to be vilified in textbooks as the archetype of the predator for achieving dominance of the US oil industry by crushing his competitors. Such beliefs helped bring about the Sherman Act, the first piece of anti-trust legislation in the world. But more revisionist interpretations of history have cast doubt on whether Rockefeller ever did this. In the main, he achieved his market dominance by buying out his rivals at high prices: a course which remains the normal route to monopoly today.

Predation has something of the character of dumping, or witchcraft. A bureaucracy to stamp it out comes into being with its own rituals and signs. It has its own language and judgments and is obsessive in pursuit of something that probably does not exist. The difficulty of finding the evil only demonstrates its enormity more conclusively.

Still, there are some cases of predation. When deregulated bus companies ran free services which arrived a minute or two ahead of the schedules of their rivals, it is hard to believe they did it out of benevolence or because they erroneously thought that this was a way to make a profit. So how do we distinguish predatory price cutting – which might ultimately reduce competition – from competitive price cutting, which enhances it? Not by looking at the price, which is low in both cases.

The bus example gives a more useful clue. An action is predatory if, taken on its own, it does not make commercial sense. If predatory behaviour is profitable, the profits come because of the reaction of competitors. You succeed in making money by forcing them out of the market, rather than from selling lots of the goods or services in question.

So the search for predation begins by asking whether the alleged predator is selling below the variable cost of production. The argument is that you would never have a good commercial reason for wanting to do this. This has become known as the Areeda-Turner test, following American investigations which helped to establish the relevant case law in the US. A similar principle has been adopted in Europe, following a case in which Akzo was accused of predatory pricing of its chemicals. It is the new Competition Bill, which incorporates these European concepts into English law, which gave the House of Lords an opportunity to debate the price of The Times.

The Areeda-Turner principle is an attempt to bring clarity and precision into the law, and so avoid speculation about either the motives of companies or how the market will develop in future. But this clarity soon disappears when you let lawyers and economists debate it. What costs are fixed and which variable? Many business people are convinced (usually wrongly) that almost all their costs are fixed, in which case virtually no price, however low, could be predatory. And there might be cases when even selling at a loss could have a commercial rationale: the operators of free buses might and did (implausibly) argue that they did so to create public awareness of their services, and The Times (more reasonably) that newspaper reading is an acquired habit.

So who is right? Lord Borrie (non-executive director of The Independent) who argues that Mr Murdoch should be restrained, or Lord Harris (non-executive director of The Times) who argues that he should be allowed to do whatever he likes? It is truly a complex issue.

There is certainly a defect in the Competition Bill. European competition law and the British proposals which follow it, prohibit abuse of a dominant position. But the purpose of predation is not to abuse a dominant position, but to create one. Since The Times is obviously not dominant in the national newspaper market its predatory activity could not, in itself, be illegal. Such illegality would arise only if it could be shown that News International was abusing its dominant position in some other market. But this test is both irrelevant and impossible to apply. Is the money Mr Murdoch loses on The Times earned in a competitive market, derived from a dominant position, or simply money which would otherwise be in his pocket? I do not know and nor does he. The American law, which bans not only monopoly but the attempt to create monopoly, deals with the matter in a more appropriate way.

But an amendment from the House of Lords is also defective. It would have the effect of obliging The Times to set whatever price was high enough to keep the Independent in business, however badly The Independent was doing. And since The Independent's troubles are mostly of its own making, not Mr Murdoch's, such a provision is deeply anti-competitive in intention and effect. The essence of competition is that the unsuccessful go to the wall. Anti-trust law is there to protect competition, not competitors, and most certainly not to protect specific competitors. Laws which, under the guise of general principle, are aimed at particular individuals, are the stuff of corruption.

The basic question is straightforward. Does Mr Murdoch's strategy make commercial sense on its own, or does it depend for its rationale on taking The Independent or some other paper off the news-stands.

While straightforward to pose, the question is not straightforward to answer, and neither the existing bill nor the House of Lords amendment to it provide the right framework for doing so. And the answer depends on facts which no-one who participated in the Lords debate had. Still, the amendment provides an opportunity to think through the issue properly, which is what the House of Lords is for.

All this against the background of what is a special product. Diversity in newspapers is more important than diversity of soap powders. It is good to be able to write a column which annoys the editor of The Times, the editor of The Independent, and possibly even the editor of the Financial Times and still have it published. There is more to life than business economics.

The author is the Peter Moores Director of the Said Business School at Oxford University and a director of London Economics. This column appears fortnightly.

If the future's digital, it's still not clear

While media groups scramble for non-analogue radio licences, question-marks remain, says Cathy Newman

The Queen has one. So have John Birt, director-general of the British Broadcasting Corporation, and Chris Smith, the culture secretary. But the members of the British public who have heard of digital radio, let alone *spent £500 on a new set*, can probably be counted on the fingers of one hand.

The somewhat subdued reception given to the new radio technology could not be more different from the hype surrounding digital television. Broadcasters promise that when television goes digital, viewers will be able to watch what they want when they want. An array of interactive opportunities has also caught the imagination of some of the press, if not just yet the public.

The same cannot, on the face of it, be said of digital radio, which appears to offer little more than CD quality reception and a greater choice of stations. The BBC has already begun broadcasting digital radio services, but no one seems to have noticed or cared.

The corporation says it is close to completing a digital transmission network covering 60 per cent of the population. It has poured £10m into building the network.

However, soon the BBC may not be the only broadcaster getting excited about digital. The Radio Authority will advertise a national commercial multiplex, or bundle of frequencies, next month, and five local licences will also be available *later in the year*.

Dominic Riley, marketing manager of BBC Digital Radio, believes digital radio has two immediate selling points. "The first people will buy digital radio sets because of the sound quality and the extra stations," Mr Riley says.

Because digital signals are converted *into a series of binary digits*, they are less prone to interference. Car reception will improve and users will be able to change stations at the touch of a button.

There are about 230 national and local stations in the UK. That figure may more than double with the advent of digital radio. The opportunity *for extra channels* may enable radio operators to make money not only from advertising but also from subscriptions. Special interest stations or programmes, at the moment refused space on the analogue spectrum, *may be funded* entirely by subscription revenues.

A chief benefit of digital radio, enthusiasts say, is the ability to transmit data. Radio sets will have five-inch colour screens capable of transmitting data. Banks and *financial information* companies such as Reuters are expected to express an interest in transmitting real-time share data. Meanwhile retailers are being approached about providing content or backing a multiplex bid.

Data aside, commercial radio groups have practical reasons for wanting to get involved in digital. The three national stations – Classic FM, Virgin Radio and Talk Radio – are guaranteed space to broadcast on the national multiplex. And radio groups committing to an investment in digital get an *eight-year extension of their analogue licences*.

These factors have stirred the radio industry. Several media groups may bid to operate the national licence, which will carry between six and nine channels and begin broadcasting next year. Capital Radio, Emap Radio, and DMG *Radio – a division of Daily Mail* and General Trust – have formed an informal consortium with NTL, the cable company, and are discussing a joint bid.

The four companies have commissioned Continental Research, the British market research company, to gauge demand for the services. *GWR Group, owner of Classic FM*, is less cautious, and has *said it* will bid for the national multiplex, whether consumers want digital or not. Ralph Bernard, GWR chief executive, is a digital evangelist, saying the technology "offers a remarkable opportunity *for radio to take itself into the 21st* century". GWR is talking to several potential bidding partners, including British Telecommunications.

Even overseas investors may take more than a passing interest *in the digital radio opportunities.* Clear Channel Communications, the US radio, television and advertising group, is keen. While regulations prevent US companies having a controlling interest in UK analogue stations, the same restrictions do not apply to digital.

Richard Novik, president of Clear *Channel's international division*, says the company had a "getting to know you" meeting with Virgin Radio – now owned by Chris Evans – some months ago. There are no plans now to invest in UK radio, but "that would be something we'd like to look into", Mr Novik says.

Some UK radio companies fail to *share* the enthusiasm. *Local operators* such as Chrysalis Radio, which are not guaranteed a space on the national multiplex, are unsure what digital has to offer.

Richard Huntingford, chief executive of Chrysalis Radio, says: "Digital could provide us with the *opportunity to extend our radio* brand into areas of the country where we don't have analogue licences. [But] there is quite a significant up-front investment, with returns coming a long way down the road."

National Economic Research Associates, the consultancy group, has advised the Commercial Radio Companies Association, the trade body, that once digital is up and running, the cost to the commercial radio industry would be about £20m a year. That is a sizeable chunk of the sector's annual prof*its of about £70m.*

Although enthusiastic about the prospects for digital, David Mansfield, chief executive of Capital Radio, shares Mr Huntingford's worries. "If we assume the total costs of transmission, receiver subsidies and marketing run as high as £2m per annum, then Capital in *15 years would have invested £30m* before seeing any form of payback," he says.

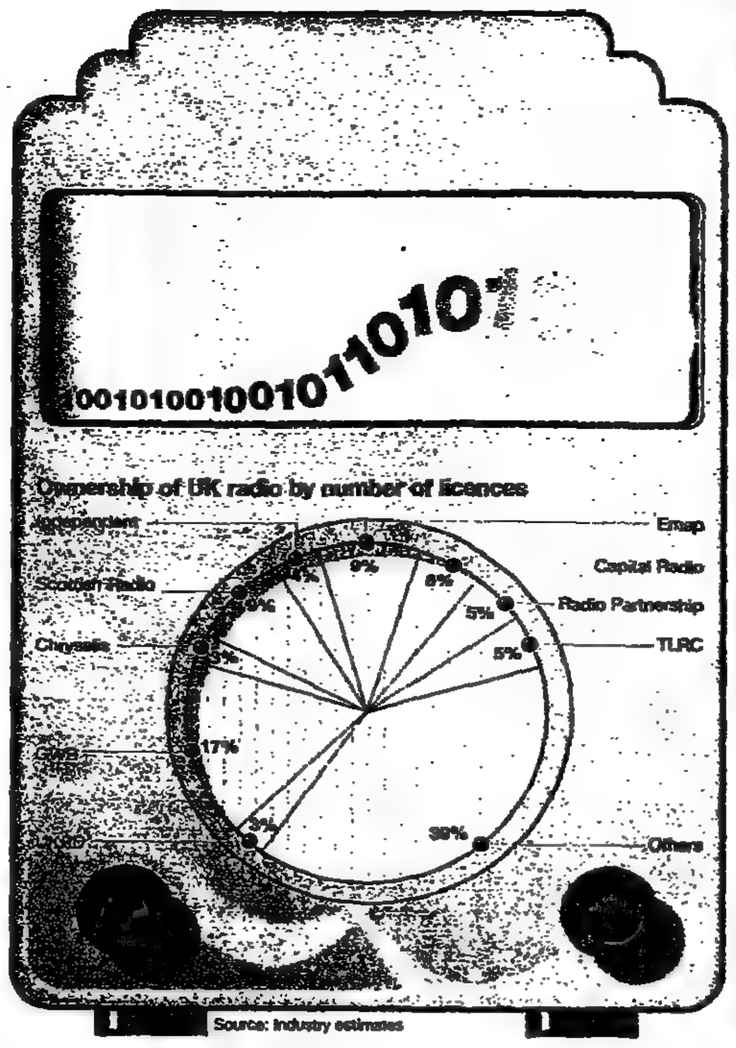
Another fear is that radios last longer than televisions so listeners will hesitate to replace analogue sets. Capital's own estimates – which many believe are optimistic – *suggest only 15 per cent of adults* will have digital radio by 2005.

The cost of the sets, at £500, may deter purchases. Although Mr Riley claims that, with 16 manufacturers making digital radio sets, there will be pressure to lower prices, *others are less confident.*

What makes digital even more commercially bewildering is a shortage of frequency. The Radio Authority says that 24 per cent of adults – or 11.3m people – won't be able to receive local digital radio. That situation should be remedied, the CRCA argues, with the backing *of the authority. A determined* lobby will raise the issue in the next months.

There are many question-marks over digital radio, but the government is expected to force companies to back it by switching off analogue frequencies. And analogue radio will look increasingly *old-fashioned with the television* industry's switch to digital.

As Tim Schoonmaker, chief executive of Emap Radio, says: "There is no doubt the future is digital. We just don't know when the future is going to arrive."



Source: Industry estimates

Country star enters fresh constellation

Alice Rawsthorn samples an ambitious US remix

Any US *country* music lover who enjoys humming along to *Come On Over*, the latest Shania Twain album, may feel rather bewildered if they buy another copy in Europe when it goes on sale today.

The songs have the same *titles as those on the US* album, but they sound completely different. Ms Twain and Mutt Lange, her record producer husband, have remixed the original album by softening the country *style* that has made her a star in the US into a more melodic sound.

In next few weeks, Mercury Records, a subsidiary of PolyGram, the Dutch entertainment group, will launch a lavish *promotional* campaign for the new version of *Come On Over* throughout Europe and Asia in an attempt to turn Ms Twain into a global superstar.

Country music is big business in the US, worth roughly \$1.8bn (£1.07bn) last year, or 14.4 per cent of record sales, according to the Recording Industry Association of America.

At a time when consumer taste in rock and pop is increasingly unpredictable, and even superstars can no longer expect to churn out hit after hit, country stars, such as EMI's Garth Brooks and Warner Music's LeAnn Rimes, are among the few *artists who still enjoy* lengthy careers and sell millions of albums.

Yet very few country acts have sold well internationally. *The Woman In Me*, Shania Twain's 1995 album, sold 11.5m copies in north America, and only 500,000 *elsewhere. Before releasing Come On Over*, Ms Twain appointed a new manager, Jon Landau, who made his name working with rock stars such as Bruce Spring*steen, to take her into the* international market.

In the US, Ms Twain is regarded as a crossover star, whose fans include general record buyers as well as country enthusiasts. Even so, Mercury decided *Come On Over* was *too countrified for a foreign* audience, and Ms Twain and Mr Lange remixed it.

"Shania's music has never been hat and boots country, but it needed a *poppier approach to sell* outside the States," said David Munns, senior vice president of pop marketing for PolyGram International.

Mercury also changed the album cover. The raunchy *pose* and red velveteen donned by Ms Twain for the North American version, was changed to a sultry smile and silvery grey outfit for the international one.

Ms Twain is now being presented to the media in Europe and Asia as a US star with a broad appeal similar to that of Celine Dion, the Sony Music singer who is the most *successful vocalist of recent* years.

According to Mr Munns, PolyGram is making a similar marketing expenditure and management resource investment in promoting Ms Twain internationally as in an established star *such as Bryan Adams or* Jon Bon Jovi.

If its investment pays off, PolyGram may add a steadily selling superstar to its roster of edgier, but possibly more ephemeral, acts such as All Saints and Hanson. If it fails, Ms Twain *can return to her loyal* North American fans who have already bought more than 4m copies of the original *Come On Over* since November.

Wide of the mark on Europe

Alison Smith on efforts by the EU to establish legitimacy

When the Scottish football team takes on Brazil at *the opening of the World* Cup in June, the chances of it attracting mass support across continental Europe are about as slim as it winning the trophy. But why do Europeans of one nation have difficulty identifying with those of another?

According to a report published last week, *it is vital* that Europeans look beyond their own national boundaries if the European Union is to have any legitimacy.

In the report, Demos, a UK think-tank, warned that high-profile campaigns about the single European currency ran *the risk of focusing attention* on the least popular aspects of European integration. Efforts by the EU to establish its legitimacy by enhancing the role of political institutions, such as the European parliament, were unlikely to work, it said.

Instead, it argued, EU leaders *should* foster a positive European identity by addressing *"problems* without frontiers", such as the environment, international crime and terrorism. They should also link integration with the emergence of common elements in European lives.

Demos envisaged a European identity, worn more lightly than national identities, based *on common stories.* "We are consuming the same products, eating the same food, we have similar lifestyles. We're all in the same boat," says Mark Leonard, author of the Demos report.

Converging patterns of eating, shop*ping and leisure across Europe seem* more apparent to marketing departments of multinational consumer goods companies than to consumers. The Demos study cited a Eurobarometer poll last year suggesting that only two in five respondents felt themselves to be European second to their nationality. Only one in 10 felt predominantly European.

The EU itself is a tough brand to market. The work of Jacques Santer, EU Commission president, is seen through the workings of local and national governments, which have their own images to present.

"Because political parties have not been closely involved in European integration, they frequently use it as a scapegoat rather than mobilising support for it," said Demos. "Letting Europe take the flak for many unpopular national decisions is a luxury that governments can no longer afford."

It is hard to see how the EU could promote a European identity that *would underpin its role. Much of this* identity lies in social, cultural and consumer areas that government enters at its peril. Only last week the British government felt a backlash from linking itself with an updated image of the UK as "Cool Britannia", when *John Prescott, deputy prime* minister, was drenched with cold water at a music awards ceremony.

European identity is not confined to EU member states. The Demos argument is that increasing recognition of a broader European identity should contribute to the acceptability of a European dimension to government. *Even so, the fact that this identity* does not stop at EU borders may amplify doubts about the governmental structure.

Demos is conducting research before a final report on Europe's identity in June. Mr Santer's team, in the short *term at least, looks even less likely to* capture the popular European imagination than Scotland's football team.

Making Europe Popular – the Search for European Identity. Demos, 9 Bridewell Place, London EC4V 6AP. 0171 353 4479. £2.95.

Tim Jackson • On the Web

Perfect picture of a deal

When an opportunity comes up to use technology to bring about radical change in an industry, pioneers face an interesting issue. Is it best to use lower costs and better service to put the existing players out of business? Or work with the industry structure, making *friends* and using them to gain a leg-up?

A perfect illustration came up *a year ago* with photo-finishing. Anyone with a rea*sonable* knowledge of the Internet and of image processing could tell that the old-fashioned photo industry was ripe for a shake-up. Instead of going through the rigmarole of silver halide, negatives, and *prints*, consumers would some day be able to *take and print* photos instantly using digital tech*nology*, and send them worldwide on the internet instead of putting prints in an envelope.

Digital photography last year was in its infancy. The price of computer memory and hardware meant that pictures taken on digital cameras looked grainy against the cheapest point-and-shoot – and the narrow bandwidth *of the internet* made it unrealistic to transmit *print-quality* images.

You could walk into one of hundreds of thousands of outlets worldwide, and emerge in an hour with 36 excellent inexpensive prints.

These factors helped to set the strategy of PictureVision, an Israeli startup that had developed technology allowing people to scan pictures from traditional cameras, store them on the web, *print them out anywhere*, or turn them into greetings cards, T-shirts, mugs and neckties. Phil Garfinkle, chief executive, decided to go with the industry rather than against it.

The company's pitch was brilliantly diplomatic: "to bring the power of digital photography to millions of consumers while maintaining and strengthening the traditional role of photofinishers." Last spring, it had raised \$6m (£3.5m) from *three venture-capital funds*, and had signed up minilabs, *wholesale photo processors* and mail order processors.

The company also signed up Ricoh and Sony to make digital cameras that could work with the company's system, so that customers were "hard-wired" to become a long-term source of revenue. It also arranged for software houses such as Microsoft and Adobe to write access to its network into *their photo manipulation* packages.

But there was a cloud on the horizon. Kodak, the industry leader, was beginning to compete with PicturεVision. Kodak began to offer a service that was similar to PictureVision's to about 30,000 retail stores.

Mr Garfinkle raised \$3m from a Japanese partner. A meeting with Kodak was set up, from which a deal was born. Last week, PictureVision and Kodak companies announced that Kodak would take 51 per cent of the *startup for an undisclosed sum.*

Mr Garfinkle, *now* 37, remains chief executive, and the company's 51 employees will be separately managed from the 100,000 members of the \$14.5bn Kodak business.

The mouse and the monster make an odd combination. It seems that Garfinkle made the right decision. The interesting question is whether with Kodak's backing, PictureVision can do *more than build a temporarily* profitable business. As the world moves on from old-fashioned photo processing, can PictureVision carve out a position that will still be a viable business in a wholly digital imaging world?

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BUSINESS EDUCATION

Names to conjure with

Richard Donkin begins a series of potted theories with Elton Mayo's Hawthorne effect

Students of business management might be forgiven if they are sometimes confused by the proliferation of concepts and theories published annually in a seemingly ever-increasing output of books on the subject.

Management language has become so cluttered with jargon, so subject to fashion, that it can be difficult to identify the central figures and their ideas which have had the greatest impact on the way management practice has developed in the 20th century.

This is the start of an occasional series of "crib notes" which will attempt to describe the work of the most influential thinkers and distil their best ideas. It will also include a quote and a reference to one of their most important works.

The name of Elton Mayo must be somewhere near the top of any list of influences on management in the 20th century, not because his discoveries were so startling but because he bothered to look.

Mayo's discovery of the "Hawthorne effect" is to management what Pavlov's Dog is to the study of animal behaviour.

Western Electric's Hawthorne Works in Chicago was the focus for a five-year series of experiments running from 1927 in which Mayo, as professor of industrial research at Harvard Business School, tried to discover whether changes to working conditions improved the output of women operatives assembling telephone relays.

The investigation followed an initial experiment by company engineers looking at the effect of different levels of lighting on two groups of workers isolated for the study. In one group the lighting was improved, in the other it was left as it was – but output rose in both groups.

Mayo's extended research, recording output figures against various changes in working practices, such as the inclusion of rest breaks, found that output rose even when conditions deteriorated.

The reasons for this were not immediately clear to Mayo, but he decided later that the greater freedom in the way the operatives organised their work and the open two-way consultation with the researchers about the changes had led them to develop a highly effective working pattern.

The discovery may seem logical today but the lesson was not so readily absorbed by those responsible for arranging production lines on the mechanistic principles of scientific management, a process that reduced human activity to its constituent actions, measured by "time and motion" experts.

Mayo's observations took another half century of interpretation, study and refinement to filter through to many production operations and there may be justifiable suspicion that they have still not been digested by some.

But the findings did not escape the notice of more enlightened businesses and Mayo's work opened the door to a whole new field of social research in employment, including Maslow and Herzberg's studies of motivation.

The Australian-born Mayo was not working in a vacuum. He provided the scientific evidence, in effect, to support a school of management, manifest in the 1920s mainly among the Quaker enterprises that linked business success to the betterment of society as a whole. Mary Parker Follett, the sociologist, also worked in this area although much of her thinking was ignored in the west during her lifetime.

'Management succeeds or fails in proportion as it is accepted without reservation by the group as authority and leader.' Elton Mayo (1880-1949)

Companies such as Cadbury and Rowntree, the British food groups, inspired somewhat by Titus Salt, the northern England non-conformist industrialist who provided a high standard of housing for his workers, pursued the concept of paternalism; more, perhaps, because they thought it was the right thing to do than for any economic motive. But as Mayo demonstrated, their approach also made good business sense.

Worth reading: *The Social Problems of an Industrial Civilization, Routledge & Kegan Paul 1949.*

NEWS FROM CAMPUS

Wharton course for Singapore

The Wharton school at the university of Pennsylvania has signed an agreement with the Singapore Institute of Management to create an undergraduate programme in management, business and finance in Singapore.

The four-year degree course will begin in the year 2000 with an intake of 1,400. The institute will form the nucleus of a private university which will offer graduate as well as undergraduate courses.

Wharton: www.wharton.upenn.edu/

LSE offers the real thing

The economics and management of real estate has long been a subject studied at US universities, but has not proved so popular with European universities. To help redress the balance, students in London will be able to study a one-year masters degree in *Real Estate Economics and Real Estate Finance* at the London School of Economics and Political Science – the LSE – from this autumn.

The course will be run from LSE's department of geography and the environment.

LSE, UK: 0171 955 7586

East meets west coast

Leaders of China's state companies will soon get a taste of the Californian sunshine with a programme developed by the Anderson School at UCLA to teach the basics of business management. The participants will come from transport, telecommunications, chemical and energy companies and will visit US companies as well as studying at UCLA.

The sponsoring US companies will also send representatives to Beijing and Shanghai for three weeks in the autumn.

UCLA: www.anderson.ucla.edu/

Growing managers

Brussels-based EFMD (European Federation for Management Development), the European business schools' trade body, has set up a network for those managers who are new to management development and training, and is holding its next meeting in Madrid in March.

The Emerging Management Developers Network, is aimed principally at young managers, new to the training field. The main topic at the Madrid meeting, which will be held on March 23 and 24, will be action learning.

Contact: bogart@efmd.be

Michigan gets the best Seat

The winner's laurels at the third International Case Competition, organised by Iese, in Barcelona, was the university of Michigan business school.

The competition, sponsored by Arthur D. Little, involved students from five business schools working on a case study written by Iese professors about Seat, one of Spain's largest companies.

The participating schools were Chicago, Duke and Michigan from the US, the Ivey School in Canada and Rotterdam in the Netherlands.

Iese: www.iese.es

Information for News from Campus should be sent to Della Bradshaw, FT, Number One Southwark Bridge, London SE1 9HL Tel: 44 171 873 4673 Fax: 44 171 873 3950

For managers too successful to do an MBA

While streams of young managers believe the only way to climb the corporate ladder is to get an MBA degree, others cannot afford the time out from climbing the ladder to complete an MBA.

To cater for them, a growing number of courses in Europe and the US are aimed specifically at high potential young managers – the "hi-pots" of management jargon.

Many, such as the *Young Managers' Programme* at Insead, in Fontainebleau, concentrate on core MBA subjects. Much of the first two weeks of Insead's programme is finance, interspersed with marketing.

Others, such as the *Building on Talent* programme at IMD, in Lausanne, take a different approach, says programme director Carlos Cordon.

IMD's course, designed with the collaboration of its biggest customers, has two different agendas. First, to teach functional or junior managers how to understand the the overall business process – to achieve the "helicopter view". Second, to be a personal development tool helping managers to work in teams and develop leadership skills. The average age of participants is 32.

The jury is still out on the IMD course, which started only in November and does not end until next month. Nevertheless, with 46 people on the first programme, Prof Cordon is confident.

Insead's Young Managers' Programme started in 1979 and there are 90 participants on each of the three courses a year. Allison Wheeler, marketing manager for executive programmes at Insead and a graduate of the programme, believes participants are those who kept their heads down and worked hard for many years. "They suddenly looked up and realised they hadn't had time to do an MBA."

Prof Cordon believes participants have little use for a formal year-long degree course. "The managers that companies are sending on this course are the ones that are pushing much faster than the others. These high-potential managers see MBAs as courses for people who want more general business training or who want to change careers.

"Who will be the chief executives of tomorrow: the MBAs, or these high-potential managers?"

Della Bradshaw

BUSINESS TRAVEL

Travel Update · Roger Bray

Surprise VAT bill

Britain's four- and three-star hoteliers are increasingly quoting corporate rates without including VAT. "It makes them look more competitive," says Joan Scales at the UK Institute of Travel Managers. Guests are often unaware of the omission until they come to pay the bill, she says. The Institute's 750 members came to expect long ago that five-star properties would quote prices excluding tax, but it had always been understood that hotels with four stars or fewer would include it, she adds.

Unsurprisingly, the trend has emerged at a time when rates have been rising. Figures reported last week from BDO Hospitality Consulting showed the average amount paid for a mid-price room in the UK last year went up 9 per cent.

Office-for-the-day

Business centre operator Regus has launched a new service for travelling executives needing temporary offices. Touchdown enables executives to rent offices for a day in more than 100 European cities. Jonathan Dutton, marketing director, says that travellers are "fed up using hotel foyers, busy airport lounges and restaurants as venues for business meetings". Clients can book up to 30 days ahead, but the company can also provide offices at less than 24 hours' notice. Customers will pay a £49 annual fee. Daily rents start at the same price.

Flying fear

Nearly one in 10 business travellers is afraid of flying, but men appear much more reluctant to admit it than women, according to a survey from Company Barclaycard. Sixteen per cent of women in the survey confessed to their fear, compared with only 7 per cent of men. When asked whether their fear had ever stopped them flying on business, 6 per cent of men said it had and 16 per cent of women. The survey also found that travellers' biggest source of irritation was others who carry too much baggage on board.

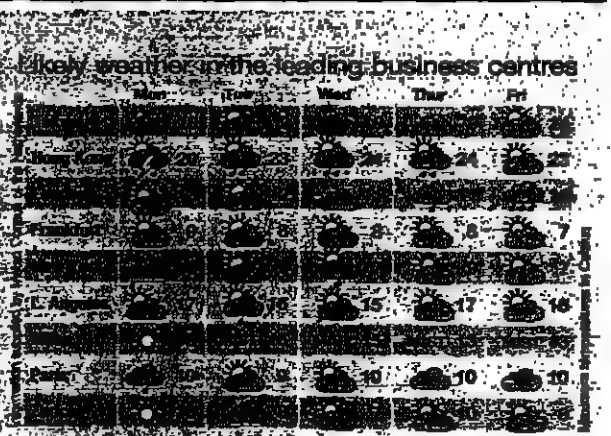
Taipei extension

Northwest Airlines hopes to extend its US-Japan flights to Jakarta and Kuala Lumpur following the recently agreed air deal between Washington and Tokyo. But first it plans to extend its Seattle to Osaka service to Taipei from April 5 because Taiwan weathered the current economic crisis better than most of its neighbours. Services will depart from Seattle at 1pm, arrive at Osaka's Kansai airport at 4pm the following day, take off again at 5.30pm and reach the Taiwanese capital at 7.10pm. Northwest already flies from Osaka to Manila and to a range of cities from Tokyo.

Hotel heaven

Tired of staying in predictable, high-rise hotels? How about the renaissance home of a former silk merchant in Lyons with a Michelin-starred restaurant or a converted, 18th century baroque mansion in Dresden? For travellers hankering after something a little more individual, a new European edition of the *Good Hotel Guide* is published this week (£14.99).

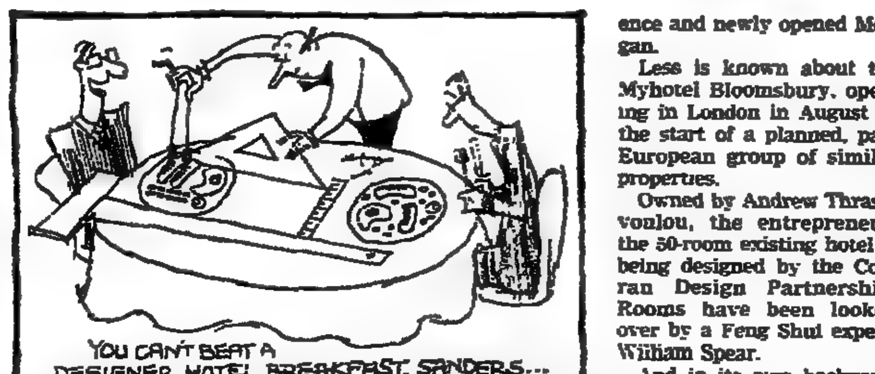
Previously some of the hotels it detailed were combined with recommendations in the UK which now appear in a separate guide. The two hotels mentioned above are La Tour Rose and the Hotel Bülow Residenz, where, the guide says, customers are left a comforting teddy bear on their pillows at night.



Gillian Upton looks at the growing appeal of designer hotels

A room with new views

The broadening appeal of designer hotels is being highlighted this week by a leading hotelier's move into the sector. Starwood group's purchase of ITT Sheraton for $13.3bn shows the sector is no longer the preserve of small, independent boteliers. Designer hotels have been around since the 1980s. Generally small, informal, minimalist in furnishings and cheap, they offer an alternative to the formal hotels from the big chains.



Designer hotels set out to woo customers from laid-back businesses such as media and entertainment, but have also attracted bankers and management consultants.

"More and more people out of very conservative industries, such as politicians, are starting to really enjoy these hotels," says Claus Sendlinger, vice-president of Design Hotels, a marketing group that represents 23 designer hotels across Europe and north America.

Practically every leading city boasts at least one, and the choice is set to increase with the Phoenix-based move into the sector by Starwood Hotels & Resorts Trust, headed by 36-year-old billionaire Barry S. Sternlicht.

The purchase will create the world's largest group, with 650 hotels across 70 countries. Mr Sternlicht plans to integrate Sheraton's brands with other recent buys, rationalise the portfolio and create five brands, one of which will be W, a designer hotel group.

The news comes during a flurry of activity in the sector: in the UK, for example, there will be at least half a dozen designer hotel openings over the next 12 months.

Scottish hotelier Gordon Campbell Grey will be first off the starting blocks this May when he opens One Aldwych in London. The hotel will have limestone floors, dark stained wood, warm colours throughout and comfortable furniture.

"We're going to be modern but welcoming," says Mr Campbell Gray.

Ken McCulloch, another Scotsman, who is highly regarded for his mid-price Malmaison brand, is planning to open in London and Paris by the middle of next year. Before that, Malmaisons will open in Manchester in April and in Leeds this winter.

Accelerated expansion looks likely for the trendy hotel group as Mr McCulloch's company has enjoyed its own cash injection. Robert Breare's Arcadian group bought a 34 per cent stake in Malmaison (Arcadian itself was bought for £92m last month by Patriot, the US property investment trust).

Back on home turf, the Conran-designed Fitzwilliam opens in March in Dublin, joining the established Clarence and newly opened Morgan.

Less is known about the Myhotel Bloomsbury, opening in London in August as the start of a planned, pan-European group of similar properties.

Owned by Andrew Thrasyvoulou, the entrepreneur, the 50-room existing hotel is being designed by the Conran Design Partnership. Rooms have been looked over by a Feng Shui expert, William Spear.

And in its own backyard, Starwood will be up against stiff competition in New York – the city is home to the first designer hotel, Morgans, opened in 1982, and its equally popular siblings. They are all owned by Ian Schrager, former Studio 54 nightclub owner, whose aim was to add an element of entertainment to the ordinary hotel. Philippe Starck, the chic designer, is responsible for many of the interiors.

Starck has long been planning to bring his colourful ideas to London and it looks likely that these will materialise, but not until 1999.

All the activity will go some way to fill the extra 10,000 beds needed in London by the millennium, and continue to offer bored businesspeople somewhere more interesting to stay overnight.

Car-hire roundabout

Amon Cohen describes the widespread restructuring of this global industry

EuroDollar, the largest corporate car hire provider in the UK, changed its name this month to National Car Rental, which it now shares with its US sister company. The move is a result of the acquisition of EuroDollar last year by Republic Industries, National's US parent, and caps a period of upheaval in the global car-hire industry.

Every big operator, including Hertz, Avis and Budget, has recently changed ownership or opted for flotation of its stock. Republic has also bought Alamo Rent-a-Car and both this and the EuroDollar name largely disappeared yesterday in Belgium, France, Germany, the Netherlands, Spain and Switzerland.

However, Alamo will not vanish all together: it is being retained as Republic's leisure brand, whereas National will be devoted exclusively to corporate travel. Alamo will share 40 of National's locations around Europe but will be serviced by different staff.

The restructuring of the industry is significant for European business travellers, who stand to benefit from renewed competition. Chief among the service battlegrounds is the quest to minimise the tedious bureaucracy that delays travellers when collecting a hire car.

In the UK, Hertz and Avis lead in this respect by allowing corporate travellers who have booked in advance to cut out the paperwork and simply show their licence when collecting their keys. Rival Europcar has just launched a similar service at London's Heathrow airport for its top 20 corporate accounts. Called Sign and Drive, Europcar says it will extend the product to nine more airports, its operation at London's Victoria railway station, and to other airports in continental Europe.

The Hertz and Avis offerings at Heathrow cut out the reservations counter entirely, with drivers climbing straight into their allocated vehicles and waving their licences at a checkpoint as they leave.

National is planning a variation on this theme, as is fast-growing German car hire company Sixt. National will introduce to Europe a service it already has in the US called Emerald Aisle. Customers who book in advance can choose any car they like from a selection and drive it away, again showing their licence on departure. Two-thirds of the cars are mid-size but the remainder are larger vehicles available at no extra cost.

The scheme conjures up pictures of unseemly scraps between executives scrambling for the smartest vehicle as they are released en masse from the airport shuttle bus. In practice, renters have widely varying requirements, according to Geoff Corbett, Republic Industries European president. "Not everyone wants a large car. People in a selling environment, for instance, are often reticent about turning up at a customer's offices in a plush vehicle," he says.

Sixt, meanwhile, is opting for automation. It has a self-service machine called Car Express that allows swift vehicle collection even if the traveller has not made an advance booking. After signing an automatically produced rental form, the machine completes the transaction by dropping a set of keys into a tray.

Car Express allows customers to hire a car 24 hours a day, whether or not the branch is closed. They also recognise corporate customers and rent cars to them at the negotiated client rate.

Sixt recently moved into the UK after acquiring the British operator European Car Rental and claims it will open Car Express at all four Heathrow terminals before the spring. The company, which claims 40 per cent market share in Germany, also launched at Amsterdam Schiphol in December and in the Irish Republic yesterday.

It will be taking on competitors in the other customer battleground, which is loyalty programmes.

Europcar plans to launch in the next two months a scheme called Europoints in the UK, Spain and Belgium. It has been operating in France since the end of 1996, with free rental or vehicle upgrades as rewards.

Meanwhile, First Choice, the EuroDollar loyalty programme, will be merged into National's global programme, called Emerald Club. The home-grown schemes of the car hire companies are looking a better bet for earning rewards than the airline schemes in which they also participate. In the US, National, in common with its rivals, has halved the airline mileage it awards to customers. This follows the introduction of a 7.5 per cent federal tax on the purchase of frequent-flyer miles.

In Europe, Avis is evaluating the generosity of its airline mileage rewards but the pressure to tighten up is less great. Says Dale Morley, sales and marketing director: "Our cost of operating frequent traveller programmes in Europe is significantly less than in the US due to their much lower market penetration."

هكذا من الكحل

OPENINGS

BARCELONA
The Museu Picasso is hosting an exhibition devoted to Egon Schiele, the short-lived Viennese fin-de-siècle artist renowned for the erotic mood of his work

(below, left). All 150 paintings and drawings come from the Leopold Collection. The show opens tomorrow and runs until the end of May.

NEW YORK
The Museum of Modern Art's centenary tribute to Finnish architect Alvar Aalto aims to chart his role as an international figure in 20th century architecture. Opening on Sunday, it is the first large-scale retrospective in the US to present Aalto's original drawings and models.

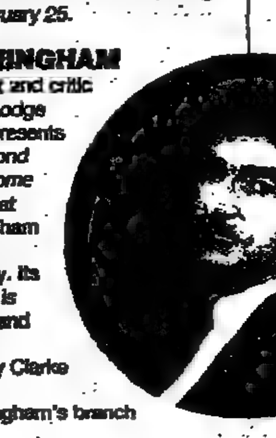
KARLSRUHE
The annual Handel festival (above, right) at the Badisches Staatstheater begins on Thursday with *Rodelinda*, conducted by Trevor Pinnock and staged by Ulrich Peters.

Cleron McFadden sings the title role. The festival also includes *Agrippina* and the world premiere of Siegfried Matthus's *Farinelli*, an opera based on the life of the celebrated 18th century Italian castrato.

CHICAGO
The first in a series of exhibitions devoted to modern Japanese design opens at the Art Institute of Chicago on Saturday. Its aim is to study the role of government in helping to shape contemporary Japanese architecture and industrial design.

LOS ANGELES
Two conductors better known in the British regions than in the US make their Los Angeles Philharmonic debuts at the Dorothy Chandler Pavilion over the next fortnight. Yakov Kreizberg directs a Mozart and Shostakovich programme on Friday, Saturday and Sunday, while 22-year old Daniel Harding conducts four concerts starting on February 25.

BIRMINGHAM
Novelist and critic David Lodge (right) presents his second play, *Home Truths*, at Birmingham Rep on Tuesday. Its subject is writers and writing. Anthony Clarke directs.



Birmingham's branch of the Royal Ballet opens a season at the Hippodrome on Saturday, with an evening of new ballets made by aspirant choreographers in the company. Brilliant idea, and brilliant pricing: the seats cost just £10.

LONDON
Juliette Binoche (right) appears for the first time on the London stage on Wednesday in Pirandello's *Naked*. The play is given in a new version by Nicholas Wright, at the Almeida Theatre. The director is Jonathan Kent.

The playwright-director Terry Johnson has adapted and *directed* Edward Ravenscroft's play *The London Cuckolds*, which opens on Thursday at the Lyttelton Theatre.

Hands and heart in Pittsburgh

Andrew Clark discovers why Mariss Jansons chose an orchestra out of the limelight

The consensus in US musical circles is that the Pittsburgh Symphony is the orchestra to watch this year. Mariss Jansons is midway through his debut season as music director, and tomorrow's Carnegie Hall concert in New York marks their unofficial "coming out". This is the date, eagerly awaited by agents, promoters, critics and music buffs, when the world gets a chance to pronounce judgment on a new, much-heralded musical partnership.

The stakes are high. Two years ago Jansons suffered a heart attack, prompting speculation that he would never regain the energy required of a high-profile music director. He is still relatively unknown in the US, and his style on and off the podium is completely at odds with that of his predecessor, Lorin Maazel.

After a decade of declining audiences, Pittsburgh needs confirmation that Jansons is the right choice to galvanise orchestra and community. And the wider world wants to know why Jansons plumped for Pittsburgh instead of waiting for one of the "Big Five" US orchestras, and whether he will remain as loyal to it as he has been to the Oslo Philharmonic.

It is unlikely such issues will be resolved by a single concert at Carnegie Hall. Like every out-of-town orchestra, the Pittsburgh Symphony will be on its best behaviour, and Jansons has chosen the programme astutely: a short piece by John Corigliano to acknowledge his New World surroundings; a Beethoven piano concerto, played by Radu Lupu, to show off the orchestra's Germanic pedigree; and Shostakovich's Fifth Symphony, in recognition of Jansons' musical roots in St Petersburg.

Mariss Jansons: challenging the taste of a notoriously conservative audience

Jansons' contract in Pittsburgh runs till 2000, and he insists there can be no discussion of an extension until he has finished his first season. But for anyone who has heard him conduct there, the verdict is already clear. Jansons is not just a friendly face; he is everything Pittsburgh could have hoped for. Where André Previn, music director from 1976 to 1984, was slick and superficial, Jansons has depth. In place of Maazel's aloofness and cold precision, Jansons offers humanity.

Pittsburgh is a far cry from Norway, the home of Jansons' other orchestra. When he arrived at the Oslo Philharmonic in 1979, both were little-known; having led them on to the world stage, he feels a parental commitment. In Pittsburgh, by contrast, he has inherited one of the oldest-established orchestras in the US – founded by the German immigrant community in 1896, and reborn under Klemperer and Reiner in the late 1930s.

The sound it produces today is remarkably similar to what you hear on its postwar recordings with William Steinberg: the strings lack brilliance and lustre, but the overall *Klang* combines warmth and maturity, ideal for the Romantic repertoire. Blindfold, you could mistake the Pittsburgh Symphony for a good German orchestra.

In all other respects, it is unrecognisable from Steinberg's day. In his eight years at the helm, Maazel single-handedly transformed the orchestra, engaging more than a third of its personnel and sharpening its technical skills. It boasts some outstanding wind principals, lured to Pittsburgh by salaries comparable to the New York Philharmonic and much lower living costs. The Pittsburgh Symphony is a wealthy orchestra, with a $100m endowment and its own home at Heinz Hall – a comfortable 2,650-seat former vaudeville theatre with a well-blended acoustic.

Where Maazel spoiled the musicians with his meticulous technique, Jansons is all hands and heart. He has dispensed with a baton, and the musicians are once again having to listen to each other. The adjustment is taking longer than expected, and Jansons has failed to dispel the suspicion that he has little feeling for the music of our time.

No one doubts the overall gains in dedication and musicianship. In the six months since he arrived, morale has rocketed: Pittsburgh clearly underestimated the impact of his smiling personality. Jansons has visited schools, glad-handed business leaders and read every marketing survey. He opens some of his concerts with a musical surprise, introduced from the podium – an attempt to expand the taste of a notoriously conservative audience. The Haydn symphonies, abandoned by most US orchestras, feature strongly this season and next, and his Mahler and Strauss have gone down well.

But the question remains: why did Jansons choose a US orchestra over the London Philharmonic, which had been strenuously wooing him – and why Pittsburgh, far from the cultural limelight, with only a 22-week season and no recording contract?

The US represented a new horizon in Jansons' career, a world far removed from the congenital instability of self-governing London orchestras. Pittsburgh, an old steel city reinventing itself as a high-tech and education powerhouse, offered solid foundations, a strong management, a supportive community. Gideon Toeplitz, the orchestra's managing director, played a perfect hand, sharing his experiences as an immigrant in order to convince Jansons he could adjust to US culture. Ever cautious, Jansons consulted widely. The advice he received from Peter Alward, his EMI recording manager, and Stephen Wright of IMG Artists was that the "Big Five" would leave him over-exposed; Pittsburgh represented a good first job in the US.

Jansons finally accepted in March 1995, but his heart attack a year later put everything in jeopardy. He spent several months in a Swiss clinic before visiting London for an angioplasty, in which a balloon-like object is used to clear clogged or narrowing arteries. Then, last February in Pittsburgh, a defibrillator was implanted to monitor his heart rate and provide electric shocks if necessary. So far, it has not been needed. Jansons suspects there is a history of heart problems in the family: his father, the conductor Arvid Jansons, died of a heart attack at the age of 70.

Despite these problems, Jansons, 55, looks fit and has lost none of his gracefulness on the podium. If anything, his musical insights have deepened. His Brahms and Schubert have taken on a long-breathed maturity. He feels a closer relationship to Bruckner and the slow movements of Haydn, Mozart and Beethoven – music he describes as "calm and deep, the most difficult to conduct". Off the podium, the orchestra is trying to slow him down – "totally unsuccessfully," says Toeplitz. "He fills all the gaps we give him."

Jansons has clearly not changed his lifestyle as much as his doctors would like. In addition to ongoing commitments in Oslo and Pittsburgh, to each of which he devotes 10 weeks a year, he will conduct the Berlin Philharmonic at the Salzburg Easter festival, his Pittsburgh orchestra in south-east Asia in May, and the Vienna Philharmonic in June and August. It will be with the Vienna Philharmonic that he makes his return to London on November 17. Not until the summer of 1999 will Europe have a chance to savour the Jansons/Pittsburgh partnership, when they make a festivals tour.

In Jansons, the world's great orchestras have recognised a precious commodity – someone in tune with musical tradition, who pleads its classical beauties. He is beginning to fit the mould of a German master. Conducting comes to him as naturally as breathing. Let us hope his beat remains steady.

Theatre / Alastair Macaulay

Rattigan gives cause to celebrate

The climax of Terence Rattigan's *Cause Célèbre* occurs in court at the Old Bailey, as the forewoman of the jury stands to pronounce one of two defendants guilty, the other not guilty, of murder. The beauty of Rattigan's 1975-76 play is in the craftsmanship with which he shows the ironies of these parallel lives.

Edith Davenport is the genteel and repressed married lady who, despite her stated reluctance, is called to the jury and to serve as forewoman. Alma Rattenbury is the none-too-refined and loose-living woman accused of assisting or inciting her young lover in the murder of her husband.

The two seem to be opposite poles. Edith is in the process of divorcing (for adultery) the husband with whom she had already ceased marital relations, Alma has been three times married and happily adulterous, too. Edith wants some kind of Oedipal bond with her 17-year-old son, but her severity drives him away to the greater warmth of his father; Alma is all warmth and openness to her two sons. Edith's whole class (represented by her hypocritical sister) wants to see Alma punished as much for (undenied) blatantly cradle-snatching adultery as for (disputed) murder; Alma wants to find a way not of saving face but somehow of being loyal to her young lover, to her dead husband, and to her children.

For Edith, it is Alma's explanation in court of one word that reverses her opinion. The word is "domination". Despite pressure from others to argue that the reverse must be true, Alma states in court that in sexual relationships between partners of unequal ages it is – at least according to her own experience – the younger who dominates, the older who is dominated. Edith does not enlarge on why this argument so impresses her, but we can tell – albeit with a degree of shock that gives us a sudden new insight into Edith – that this is how she feels about her son: for it is he who can cast her off, as she never can him.

This is merely the central irony of Rattigan's wonderfully textured play. He surrounds it with details about the barristers, the prison wardresses, the home lives of both heroines, and he carries it through to a startling dénouement. (The Alma Rattenbury case was a real one, and, when the play was first broadcast, her young lover – who was found guilty – was discovered to be still alive, as he still is, I believe, today.)

Two legal details struck me. The forewoman added a plea for mercy to her verdict of guilty: is this a touch – no longer used today – that went out with hanging? And the forewoman was chosen at the beginning of the trial: today at least, the foreperson is only chosen when final deliberations commence. I would not be bothered but for the fact that, in these details as at several other points, you can feel Rattigan manipulating his subject for slightly too slick theatrical effectiveness.

It is an excellent, stirring play – but it is a pity that in its second half, it lets us know a few times that it is gratuitously interested in triggering its audience (the snobbish humour remarks between lawyers, the sentimental reminder in court of the flexibility of the English judicial system) than in opening its subject. This is not a major flaw; it is simply what distinguishes Rattigan the canny West End showman (as on occasions in the second half) from Rattigan the poignant dramatist (as in most of the play).

Neil Bartlett's production is very much attuned to the play. It, too, is manipulative; the way in which Bartlett relishes period style and exaggerates period gender values always has a whiff of camp about it. But it is also serious. Diane Fletcher handsomely catches the elegant austerity of Edith Davenport. And the way that Amanda Harris judges every new facet of Alma Rattenbury is superb: she is never too slatternly or too sympathetic, and she goes on taking us by surprise in each and every scene.

The only passage in which her behaviour did not ring true – when she drunkenly receives the police into the flat, lets them see her husband's corpse, and flirts outrageously with them – is, of course, the scene in which her behaviour, we later realise, should not ring quite true. But the whole cast gives good value. This *Cause Célèbre* is a high-water mark for Bartlett's regime at the Lyric Theatre Hammersmith; I cannot think of anyone to whom I would not recommend it.

At the *Lyric Theatre*, Hammersmith, W6.

INTERNATIONAL ARTS GUIDE

BERLIN

DANCE
Deutsche Oper
Tel: 49-30-34384-01
...schatten von sehnsucht.... Last Blues: premiere of a new work choreographed by Renato Zanella to a score by Wilfried Maria Danner. Programme also includes works by Massimo Moricone and Mauro Bigonzetti; Feb 21

OPERA
Staatsoper unter den Linden
Tel: 49-30-2035 4555
www.staatsoper-berlin.org
Falstaff: by Verdi. New production conducted by Claudio Abbado in a staging by Jonathan Miller. Ruggero Raimondi sings the title role; Feb 18, 21

CHICAGO

CONCERTS
Orchestra Hall
Tel: 1-312-294-3000
www.chicagosymphony.org
● Chicago Symphony Orchestra: conducted by Zubin Mehta in works by Wagner, Hindemith and Brahms. With piano soloist Daniel Barenboim; Feb 18
● Chicago Symphony Orchestra: conducted by Daniel Barenboim in works by Beethoven; Feb 19

EXHIBITIONS
Art Institute Of Chicago
Tel: 1-312-443 3600
www.artic.edu
Baule: African Art/Western Eyes. The first ever major museum show of Baule art comprises around 125 works produced by this West African culture. Ranges from wooden sculptures to pottery, textiles and tools; to May 10

DUBLIN

EXHIBITIONS
National Gallery of Ireland
Tel: 353-1-661 5133
The Irish Architectural Archive: 50 works selected from the archive, including designs for houses, churches and civic buildings by architects including James Gandon and Raymond McGrath; to May 10

EDINBURGH

EXHIBITIONS
Scottish National Gallery of Modern Art
Tel: 44-131-624 6200
William MacTaggart (1903-1981): retrospective of the Edinburgh modernist. Includes around 50 paintings, watercolours and drawings, the majority borrowed from private collections and seldom exhibited; to May 10

HELSINKI

OPERA
Finnish National Opera
Tel: 358-9-4030 2211
● Come back, Gabriel: world premiere of Ilkka Kuusisto's new work based on the true story of a confidence trickster who preyed on lonely women. Conducted by the composer in a staging by Jussi Tapola, with designs by Anna Kontek; Feb 18, 21
● The Magic Flute: by Mozart. New production by Swedish director Etienne Glaser, designed by Peter Tillberg. Conducted by Okko Kamu; Feb 20

LISBON

OPERA
100 Days Festival, Expo '98
Kirov Opera: Betrothal in a Monastery, by Prokofiev; Main Auditorium, Centro Cultural de Belém; Feb 16

LONDON

CONCERTS
Barbican Hall
Tel: 44-171-638 8891
London Symphony Orchestra: Mstislav Rostropovich conducts a programme of works by Shostakovich; Feb 19

Wigmore Hall
Tel: 44-171-935 2141
Leif Ove Andsnes: recital by the pianist of works by Haydn, Liszt, Martin and Beethoven; Feb 17

EXHIBITIONS
Tate Gallery
Tel: 44-171-887 8000
Bonnard (1867-1947): major retrospective focusing on a group of around 100 works produced between the 1890s and the 1940s. Includes landscapes, still lifes, a series of nudes depicting Marthe, Bonnard's lifelong companion, and several self-portraits; to May 17, then transferring to New York

OPERA
English National Opera, London Coliseum
Tel: 44-171-632 8300
The Elixir of Love: by Donizetti. New production, directed by Jude Kelly and designed by Robert Jones. The conductor is Michael Lloyd; Feb 19, 21

LOS ANGELES

OPERA
L. A. Opera, Dorothy Chandler Pavilion
Tel: 1-213-972 8001
www.laopera.org
The Magic Flute: by Mozart. Revival conducted by Julius Rudel in a staging by Sir Peter Hall; Feb 17, 19, 21

MADRID

EXHIBITIONS
Fundació "la Caixa"
Tel: 34-1-435 4833
Rembrandt: The Human and the Natural Landscape. Previously seen in Barcelona, this exhibition comprises 91 etchings from the Rembrandt House Museum in Amsterdam; to Apr 5

MILAN

OPERA
Teatro alla Scala
Tel: 39-2-88791
www.lascala.milano.it
Die Zauberflöte: by Mozart. Conducted by Paul Connelly in a staging by Roberto De Simone. With sets by Mauro Carosi and costumes by Odette Nicoletti; Feb 17, 19

MUNICH

CONCERTS
Philharmonie Gasteig
Tel: 49-89-5481 8181
Munich Philharmonic Orchestra: conducted by Semyon Bychkov in works by Dutilleux, Saint-Saëns and Tchaikovsky; Feb 16, 17, 18

NEW YORK

CONCERTS
Carnegie Hall
Tel: 1-212-247
www.carnegiehall.org
Pittsburgh Symphony Orchestra: conducted by Mariss Jansons in works by Corigliano, Beethoven and Shostakovich. With pianist Radu Lupu; Feb 17

OPERA
Metropolitan Opera, Lincoln Center
Tel: 1-212-362 6000
www.metopera.org
Samson et Dalila: by Saint-Saëns. New production by Elijah Moshinsky, with designs by Richard Hudson; Feb 16, 21

PARIS

CONCERTS
Salle Pleyel
Tel: 33-1-4561 6589
Orchestre de Paris: conducted by Christoph von Dohnányi in Haydn's Symphony No. 88 and a concert performance of Bartok's one-act opera, Le Château de Barbe-Bleue. With soprano Cornelia Kallisch and bass László Pólgar; Feb 18, 19

OPERA
Opéra National de Paris, Opéra Bastille
Tel: 33-1-4473 1300
Tristan und Isolde: by Wagner. New production conducted by James Conlon in a staging by Stein Winge; Feb 18, 21

Opéra National de Paris, Palais Garnier
Tel: 33-1-4343 9696
Cosi Fan Tutte: by Mozart. Conducted by Gary Bertini in a staging by Ezio Toffolutti; Feb 18

ROME

OPERA
Teatro dell' Opera
Tel: 39-6-481601
www.themix.it
La Favorite: by Donizetti. New production by Beni Montresor, conducted by Frederic Chaslin; Feb 20

STOCKHOLM

EXHIBITIONS
Moderna Museet
Tel: 46-8-5195 5200
www.modernamuseet.se
● "No one's dogs": 100 Years of Swedish Art. 100 works, specially selected to trace the history of modern art in Sweden; to Apr 19
● Wounds: Between Democracy and Redemption in Contemporary Art. The inaugural exhibition in the museum's new building examines developments in the visual arts from the 1960s to the present. Includes works by Francis Bacon, Andy Warhol, Gerhard Richter and Per Kirkeby; to Apr 19

TV AND RADIO

● **WORLD SERVICE**
BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

● **CNN International**
Monday to Friday, GMT:
06.30: *Moneyline with Lou Dobbs*
13.30: *Business Asia*
19.30: *World Business Today*
22.00: *World Business Today Update*

● **Business/Market Reports:**
05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20; 14:20.

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

The FT Interview • Hosni Mubarak

Sounding the alarm

Hosni Mubarak, president of Egypt, has every reason not to trust Saddam Hussein. But as the confrontation with the Iraqi dictator over his refusal to comply with UN weapons inspectors nears the point of no return, the Egyptian leader finds it hard to conceive of a worse outcome for the Middle East than the US bombing Iraq.

In late July 1990, as Iraqi troops massed on the frontier with Kuwait, Mr Saddam gave his word to Mr Mubarak that he would not enter the oil-rich emirate, but was simply trying to scare concessions out of its rulers. No sooner had the Egyptian president conveyed this message internationally than Iraq invaded. Mr Mubarak said at the time he felt "stabbed in the back", and has not spoken directly to Mr Saddam since the evening of the invasion.

During the Gulf war Egypt played the leading role in harnessing Arab support to the US-led coalition against Iraq, but this time Cairo has co-ordinated Arab opposition to any new military conflict, the prospect of which it regards with alarm and foreboding.

Mr Mubarak and fellow Arab leaders recognise the Iraqi leader is dangerous and unpredictable. As his neighbours, they have reason to fear his arsenal of biological and chemical weapons. But the Egyptian president said unequivocally yesterday in an interview with the FT in Cairo: "I think things will become much more serious with air strikes."

In common with the rest of the region, the president – who came to power in 1981 after his predecessor Anwar Sadat was assassinated by Islamists from the Egyptian army – fears a popular backlash sweeping across the Middle East and beyond. In this view, the Arab masses arelikely to react with fury to a US that brooks no compromise with Iraq while apparently tolerating Israel's failure to abide by its peace commitments to the Palestinians – as well as Israel's unacknowledged possession of nuclear warheads.

"I told Madeleine Albright [the US secretary of state, recently in Cairo]: please leave enough room for the diplomatic effort to go ahead, and at the same time, something must be done to revive the [Middle East] peace process to make a balance," Mr Mubarak said.

"We have to deal with public opinion in the Arab and Islamic world, and we are going to face a hell of a problem. This is very dangerous – I cannot stand against the whole weight of popular opinion," the president said. He thinks Mr Saddam has sensed, correctly, that popular sentiment in the Arab world has swung to his side.

"This is not 1991," Mr Mubarak emphasised. The US has lost credibility in the Middle East. As well as the UN sanctions on Iraq, Washington has imposed sanctions on Libya, Iran and Sudan, but "done nothing about the Middle East peace process. This is what the people say. And then they see that the US is preparing to attack Iraq" for refusing to yield up all its weapons, while "at the same time, the Israelis have weapons of mass destruction and they say nothing".

"The point here," he summarised, "is not what heads of state think. The point is what public opinion in our countries thinks", and "there are extremists waiting to act". The west, he says, "does not understand the psychology of people in this part of the world. You will not find one [Arab] leader who will say publicly: 'We support the air strikes.'"

Moreover, Mr Mubarak, a pilot who commanded the Egyptian air force in the 1973 Arab-Israeli war, does not believe air power can destroy Iraq's weapons of mass destruction, especially since the present crisis arose because of Mr Saddam's success in concealing them. The strikes would be "to punish Saddam", he said.

Should the US and the UK be hoping to topple Mr Saddam by destroying his military support and infrastructure, there was a risk that his successor could be more vengeful and dangerous, the president intimated. If Iraq were to break up into a Kurdish north, Sunni Moslem centre and Shia south, moreover, this "will lead to continuous violence and continuous wars".

Here Mr Mubarak was carefully alluding to foreseeably forcible Turkish opposition to a Kurdish entity on its border, the danger of a Shia republic in the south falling under Iranian influence, and the unlikelihood of Iraqis from the centre accepting either development. "A united Iraq is essential to the peace of the whole region," he said.


Mubarak, Egyptian president: 'This is very dangerous'

Mr Mubarak has sent four alarmed messages to Mr Saddam, after consultation with 14 Arab leaders. They all agreed, he said, that "we should send a direct warning" about the consequences of conflict. "I told Saddam: use your wisdom, for the sake of your people. Please listen to my advice this time, because you are going to destroy the country."

Yet he recognises the difficulties of finding a solution that will save Mr Saddam's face. This is essential to his survival in the brutal politics of Iraq, whereas a renewed military assault could end by strengthening the Iraqi leader's grip. Mr Saddam, he said, sent one message that he was "doing his utmost", and another that "we can get a package together with the Russians".

But Russia's diplomatic efforts – which never resolved whether all sites suspected of harbouring germ and nerve gas agents could be repeatedly inspected, and may have set a time limit to the scrutiny – have come up against US and UK refusal to accept preconditions or restrictions.

Mr Mubarak's advice to Iraq now is therefore to "give them [the UN inspectors] the green light without preconditions, at least for the time being. Then we and others can help diplomatically to set a time limit" to the inspections, whose successful conclusion is the condition for lifting the UN embargo on Iraq.

The Egyptian leader hopes that Kofi Annan, the UN secretary-general who yesterday sent UN technicians to Iraq to survey "presidential" sites placed off-limits by Mr Saddam, will soon arrive in Baghdad and focus on a formula along these lines. "I hope he [Mr Annan] has some flexibility to negotiate", because "I think this is the last hope".

David Gardner
Mark Huband

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
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Translation may be available for letters written in the main international languages.

Saddam Hussein: alarmist propaganda about his arsenal does not help

From Prof Robert Neild.

Sir, I am surprised that your science editor Clive Cookson ("Hidden horror of Saddam's germ arsenal", 12 February) should uncritically have reproduced the government's propaganda about the scale of the damage that could have been done by Saddam Hussein's chemical and biological arsenal.

To say that the UN inspectors found "enough to have killed the world's population several times over" is equivalent to the statement that a man in his prime can produce a million sperm any day, therefore he can produce a million babies a day. The problem in both cases is that of delivery systems.

The problem for the man requires no explanation. With chemical and biological agents, the problem is to devise a bomb or rocket which will deliver the agent to the target area and then scatter it in such a manner that it will be breathed – or in some cases touched – by people.

The overwhelming proportion of the lethal doses contained in the weapons that are used will never touch anyone. The weapons may never get through; when they do, they tend to spread the agent inefficiently, for example, in excessively concentrated local splashes; they often hit places where there are few people or where people are protected.

Even if Saddam Hussein had had thousands of delivery systems, the notion that the population of the world was threatened would be totally absurd. The figure given by your correspondent for the number of chemical warheads for missiles found by the inspectors is 30. There were also bombs, but Saddam Hussein can have few effective bombers.

Of course chemical and biological weapons are horrible and should be got rid of. But alarmist propaganda does not help serious consideration of what can and should be done.

Robert Nield,
Trinity College,
Cambridge CB2 1TQ, UK

Is it really too late to think again about European monetary union?

From Sir Evelyn de Rothschild.

Sir, Your editorial "European backlash" (February 9) rightly recognises that the letter you published by 155 German professors of economics calling for an "orderly postponement" of European economic and monetary union cannot be dismissed lightly. But you then go on to dismiss it – not perhaps lightly, but certainly firmly, on the grounds that it is "almost certainly too late".

What I have never understood is why, if increasingly widespread concerns are expressed about a policy being pursued by governments, it is thought more damaging to reconsider them to stick to the chosen course.

The argument in this case seems to be that the policies have been set in concrete in a treaty. But it was never a very good treaty in the first place.

And it seems to me that it should be possible to vary a treaty, just like a contract, if agreement to do so can be reached between the parties.

Perhaps that's the point. Have some governments invested too much political capital to consider changes? But in this case, surely it would be wiser to pay heed to the increasingly widely expressed concerns of their electorates about the risks inherent in this project than to plunge ahead regardless?

Sir Evelyn de Rothschild,
New Court,
St Swithin's Lane,
London EC4P 4DU, UK

OAT auctions on usual dates

From Mr Cédric Bannel.

Sir, I was surprised when I read the four lines devoted to the French government bond market in the article by Simon Davies and John Labate in the February 11 issue of your authoritative newspaper ("Buying shifts into long-dated gilts").

There was no OAT auction on Thursday February 12. As you are probably aware, for almost 10 years now, in line with the desire of the French *Trésor* for transparency, OAT auctions are held on the first Thursday of every month.

Moreover, I am pleased to record that the last OAT auction of February 5 was very successful: bonds (April 2008 and 2011 and Ecu 2008) worth nearly FFr24bn and Ecu375m were raised, with a cover rate of between 1.70 and 3.70 depending on the bonds issued.

Cédric Bannel,
financial attaché,
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58 Knightsbridge,
London SW1X 7JT, UK

Surprising omission from FT 500

From Mr Carlo Ottaviani.

Sir, We were surprised to see that SGS-Thomson Microelectronics, Europe's largest independent semiconductor producer, was overlooked in the recent FT 500.

The selection of top 500 companies by market capitalisation was intended, as you explain, to be a guide to financial muscle.

Yet apparently only companies that are both registered and listed in the same country were included.

As a result, the growing number of top international companies that are listed on the foreign sections of national exchanges, including SGS-Thomson, which is registered in the Netherlands but listed on both the Paris bourse and the New York Stock Exchange, simply fell through the cracks.

However, as of late September, SGS-Thomson's market capitalisation was $12.8bn, placing the company about 306th in your ranking of the world's top 500 companies by size and 94th among the top 500 European companies.

Carlo Ottaviani,
vice president,
corporate communications,
SGS-Thomson Microelectronics,
165 rue Edouard Branly,
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France

Guy de Jonquières on the OECD's plans for rules on foreign investment, which have sparked fierce opposition

Monster or mouse

In a nondescript office block in Paris's fashionable 16th *arrondissement*, an international committee is toiling to make the world a safer place for multinational business. But increasingly vocal critics claim the real aim is to destroy the world as they know it.

Jack Lang, a former French minister and chairman of the National Assembly's foreign affairs committee, says what is planned is a "global economic soviet" that would weaken the European Union, render nation states powerless and trample on citizens' rights.

From Auckland to Vancouver, public interest pressure groups, trade unions and environmental lobbyists have for months been chanting a similarly apocalyptic refrain. Their warnings have sparked public demonstrations and prompted 14,000 people to write in protest to the US State Department.

The focus of alarm is a drive by the Organisation for Economic Co-operation and Development, whose 29 members include the leading industrialised countries, to establish binding international rules for policies on foreign investment.

The talks enter a critical phase today, when a final effort is planned to hammer out a draft Multilateral Agreement on Investment (MAI), to be endorsed by OECD ministers at their annual meeting in April.

The OECD says an agreement would promote global growth and stability by committing host governments to fair and open treatment of foreign direct investment.

These capital flows, which totalled about $350bn in 1996, are an increasingly powerful engine of economic development worldwide. One gauge of their importance is that multinational companies' foreign assets of more than $3,000bn now generate sales greater than the value of world trade.

But critics from across the political spectrum accuse the OECD of more sinister motives. US rightwingers say the MAI would threaten national sovereignty. Trade unions and "green" activists condemn it as a charter for multinational companies to drive down labour and environmental standards in pursuit of profit.

Kicking back: people demonstrating against the MAI in London last week Picture: Colin Beere

OECD negotiators insist the accusations are groundless. "This isn't some dark conspiracy to undermine the basis of civilisation," says one. "Like the North American Free Trade Agreement, the MAI has become a scapegoat for popular anxiety about globalisation."

The barrage of protests certainly looks wide of the mark. Far from preparing to unleash the Frankenstein's monster that opponents fear, the OECD is still labouring to produce much more than a skeletal mouse.

Charlene Barshefsky, the US trade representative, expressed disappointment on Friday at progress to date. She said the proposed agreement must be substantially improved before the US could consider signing it.

One by one, most of the grand objectives set for the negotiations, launched in 1995 on the initiative of the US, have been dropped. Efforts to dismantle national barriers to foreign investment were abandoned last year. The question of taxation of foreign-owned assets has been ducked, at finance ministries' insistence.

Discussions on asset expropriation, meanwhile, have become enmeshed in the international dispute over US sanctions laws, designed to curb foreign investment in Cuba, Iran and Libya.

Wrangling continues over such issues as whether an agreement should cover "cultural" activities, exactly what it should say about labour and environmental standards, and EU insistence that its members be free to grant each other's investors special treatment. Diplomats say the differences may take months to settle.

Even if a deal is struck, it is expected to do little more than codify OECD members' existing investor protection policies. "The MAI will essentially ratify the status quo," says one negotiator.

The international business community, which had once hoped an agreement would be a powerful tool for liberalisation, is resigned to a modest package. Its priorities have shifted to preventing the MAI imposing any onerous new restrictions, notably in the areas of environment and labour.

Ultimately, the level of business enthusiasm, particularly in the US, may decide the MAI's fate. The Clinton administration seems unlikely to brave hostile domestic lobbies and submit an agreement for approval by the Senate, unless it can count on business support.

Would failure of the MAI matter? Frans Engering, the chairman of the OECD talks, says it would scupper prospects of reaching any international investment agreement in the future. He argues that the only alternative negotiating forum is the World Trade Organisation, which is considering how to tackle the issue. If 29 like-minded governments cannot agree in the OECD, Mr Engering reasons, what hope is there of the WTO's 132 members doing so?

But such pessimism may be overdone. While the OECD talks have limped along, the WTO has given investment liberalisation a boost by agreeing in the past year to relax foreign ownership restrictions in the telecommunications and financial services industries.

The more likely casualty is the OECD's own reputation. The organisation, which has been struggling to regain a sense of purpose, believed the MAI would give it a new mission. However, the project has caused deep ill-feeling in many developing countries, which have long assailed the OECD as an exclusive "rich man's club".

The industrialised powers brushed such criticism aside, insisting they could only get a "gold standard" agreement by negotiating among themselves. Yet if the MAI turns out to consist of much baser metal, the rest of the world may start treating such claims to superior wisdom not just with resentment, but with disbelief.

COMMENT & ANALYSIS

FINANCIAL TIMES
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Monday February 16 1998

East Asian shipwreck

All financial crises are educational, but some are more educational than others. The east Asian crisis may not yet be in the past. But it is time to learn from it.

Rare is the country that has not had at least one currency or financial crisis in the past half century. Yet this one has been special: it does not reflect public-sector profligacy; it linked banking and currency crises; it afflicted some highly successful economies; and it has been far more devastating than expected.

Those who preach the benefits of global economic integration cannot lightly ignore the devastation. The question they must answer is whether – and how – the unavoidably fragile economies and polities of emerging countries can safely voyage on the turbulent oceans of the global capital markets.

At the end of January, Stanley Fischer, first deputy managing director of the International Monetary Fund, described the plight of the afflicted Asian countries "as mostly homegrown". In support, he points to the failure to dampen overheating, shown by external deficits and asset-price bubbles; mismanagement of pegged exchange-rate regimes; poor financial regulation; and failure to act decisively once confidence was lost.

Mr Fischer points also to adverse external developments: the depreciation of the Japanese yen against the US dollar from early 1995; and the search by foreign investors for higher yields, without regard to risk.

Mr Fischer is right: the afflicted countries made serious mistakes and fluctuations in the dollar-yen exchange rate were destabilising. Yet none of this seems to explain the severity of the crisis: these countries thrived for years, despite weak financial systems; and they have been buffeted by no less destabilising external events, including the oil shocks of the 1970s and the soaring dollar of the early 1980s.

Why have they sunk now? A big part of the explanation has to lie with the fickleness of external investors, who first behaved as if east Asian economies could do nothing wrong and, shortly thereafter, as if they could nothing right. As the Washington-based Institute for International Finance notes, net private flows to Indonesia, Korea, Malaysia, the Philippines and Thailand jumped from $48bn in 1994 to $93bn in 1996 – to collapse to an estimated *minus* $12bn last year.

Panic-stricken lenders

The inflows offered more temptation than inexperienced businessmen, guaranteed financial institutions, or corrupt and incompetent politicians could resist. The outflows worsened the subsequent punishment; a domestic asset bubble can be managed by domestic institutions. As the capital flooded out, exchange rates collapsed and bankruptcy engulfed the private sector, countries found themselves at the mercy of panic-stricken private lenders and demanding official ones.

If capital flows played a central role in the crisis, that understanding must colour reactions to proposals for reform. Consider, for example, the six advanced by Michel Camdessus, the IMF's managing director:

- the need for more effective surveillance of countries and greater transparency;
- heightened regional surveillance;
- financial sector reform, including improved prudential regulation and supervision;
- more effective structures for orderly workouts, including better bankruptcy laws at the national level;
- orderly, properly sequenced and cautious capital account liberalisation; and,
- strengthening of international financial institutions, including his own.

More effective surveillance and greater transparency are indeed needed, even though too much must not be expected from either. Governments will always conceal what they are doing when in serious difficulty. As an insider, the IMF is constrained in how far it can give warnings to markets. But the most important ground for scepticism is that there are none so blind as those who will not see: euphoric investors are not easily disabused.

Folly revealed again

Financial sector reform is no less important. But this is true not only in the capital importers but also in the exporters. The folly of expecting overguaranteed and undercapitalised banking institutions to manage international financial intermediation sensibly has been revealed once again.

It is also evident that effective procedures will be needed for dealing with mass private-sector bankruptcy. The moratorium on payment imposed by the Indonesian government is a precedent on which the world must build.

To these lessons should be added one Mr Camdessus did not mention: managed exchange-rate regimes, short of currency boards, look increasingly difficult to sustain. If they are to survive, there must either be separation of domestic finance from international capital, as in China, or complete consistency between domestic policies and the exchange rate regime.

This leaves two far more controversial issues: capital account liberalisation and the role of international financial institutions. These are the heart of the matter: how to make openness to the world's capital markets less perilous.

This is a world of panic. Once panic begins, each investor rationally wants to escape before all the others. Vastly more damage is then done than the underlying economic situation would warrant.

A partial and justified response to the danger is to augment the resources available to the IMF, both on its own account and via agreements to borrow from central banks. This must be done. But no plausible increase would underpin exchange rates in countries that have lost investor confidence. Moreover, if funds on that scale were to be available, regulation of potential borrowing countries would have to be far more intrusive than it is today.

Individual decisions to borrow in foreign currency increase risks for all users of a given domestic currency. Tight prudential control on short-term foreign currency borrowing – particularly by banks – is justified. It is vital so long as domestic financial institutions remain guaranteed yet also inadequately capitalised and poorly regulated. But tighter regulation of banks in industrial countries is needed as well.

The wisdom of over-hasty integration of emerging economies into global financial markets must be reconsidered. Foreign direct investment is invaluable. But easy private-sector access to short-term borrowing can be lethal. Only the prepared and skilful can navigate this ocean. Lacking a true global lender of last resort, fragile emerging economies should stay close to shore.

Sonia Gandhi, campaigning for the Congress Party

Cartoons by R. K. Laxman

Lal Krishna Advani, BJP president

Guests at India's party

The smaller regional parties will play a crucial role in the country's elections, says Mark Nicholson

Neither policy nor great national issues have dominated India's 12th election since independence, for which voting begins today.

Historians may remember it as the "Sonia election", for the surprising emergence of Sonia Gandhi, widow of assassinated Congress leader Rajiv, with her attempt to rejuvenate India's oldest and ailing party by reviving the Nehru-Gandhi dynasty.

Alternatively, depending on the outcome of what is a closely run race, its significance may lie in bringing to government for the first time the Bharatiya Janata party (BJP) and its militant, Hindu religion-based "cultural nationalism".

But for India's mostly rural 600m voters the main issues are simpler, more pressing things, like bus fares, the tripling of onion prices, jobs, security, the state of village roads and power supplies. Millions will vote largely based on their identity – for parties they hope will protect and advance their caste, religion or region.

The question, when votes are tallied early next month, is what patterns will emerge from India's political complexity to indicate how India views itself and its place in a convulsed Asia. Is India, for example, a two-party political system or a less manageable jigsaw of national and smaller caste and regional parties? Is it a centralised state or loosely federal?

Outside India, the outcome will be assessed for the light it sheds on a cautiously globalising Asian giant in a region wracked by financial crisis. The question is whether the crisis will inspire India's next government into more caution in pursuing its seven-year-old reform programme, or to see an opportunity to catch up with the wounded tigers to the east.

The signs are that India's election may answer none of these questions decisively.

The fact, for example, that this election campaign has been dominated by the fight between two main parties, Congress and the BJP, is deceptive. At first glance India resembles a two-party political system more than it ever has since independence. The BJP surged since the 1984 elections from holding two parliamentary seats to become the largest party in the 1996 election with 166 seats and, in this poll, could form part of a government as the biggest single party. An otherwise declining Congress, meanwhile, which monopolised political life from independence to the end of the 1980s, has, thanks to Mrs Gandhi, suddenly hauled itself back into contention. Both parties now look set to win a near equal share of the vote – opinion polls suggest around 27 per cent each.

But these polls consistently suggest neither party can form a government alone. Another coalition government appears certain, led by one of the big parties, but depending on alliances with a clutch of smaller parties.

The emergence of these largely caste-based parties from northern India or regional groupings from south, west and north-eastern India was the feature of the May 1996 election. The two main parties saw their combined share of the national vote slip to 69 per cent from 80 per cent in the preceding 1991 election. The result was the formation of the disparate 13-party United Front coalition, supported by Congress, to keep the BJP from power.

The small parties' fortunes may wax and wane relative to the two big parties, but analysts believe they have become a fixture of Indian politics. "The smaller regional players have a crucial role," says Sunil Khilnani, political scientist at Birkbeck College, London.

The small parties' emergence reflects a fragmentation of Indian politics and splits within the Congress party. The 113-year-old Congress was always an internal coalition of diverse caste groups, minorities and regional interests. But as "the democratic idea has penetrated the Indian political imagination", as Mr Khilnani says, such groups have sought their own political identities and parties, led by a new generation of regional and caste barons. "Previously the process of consensus in India used to go on within parties like Congress," says Ashish Nandy, political scientist at the Centre for the Study of Developing Societies in Delhi. "Now that process has to go on outside, in coalitions of different parties."

India's political system is further complicated in that "regional" parties, like the Samajwadi party in Uttar Pradesh, have a national agenda and are fielding candidates in different states. "The relation between the national and regional levels is incredibly complicated, conforming straightforwardly neither to two-party politics nor two-tier politics; it's much more intricate," says Mr Khilnani.

Moreover, these smaller regional parties have gained power from India's economic reforms. Since 1991, the centralised industrial and economic controls have been dismantled, and opportunities for private investment in infrastructure and foreign investment in general have opened up. This has given the local barons the freedom and powers to attract investment directly. Regional state ministers have been flying the globe touting for investment.

Some results have been striking. In Tamil Nadu state, for example, the state leaders' aggressive investment drive has created a motor industry almost from nothing – attracting Ford, Hyundai and Mitsubishi to build big car plants.

In such ways, India's political and economic map is being transformed from a heavily centralised state into a looser federation.

Many analysts see this as a healthy development, rather than a threat to Indian unity: they consider it a return to the intended federal nature of India's constitution, which many argue was subverted by the statist policies and central political control of the 1970s Congress under Indira Gandhi.

The states' economic emancipation has become an engine sustaining economic reform and growth, both through intra-state competition and by example. "Competition among the states will improve the quality of government, of the business environment, and the quality of investment in infrastructure, because the state really does know better than the centre," says Jeffery Sachs, director of the Harvard Institute for International Development, which is serving as a consultant for Tamil Nadu.

At one level, this state competition and federalising process helps sustain the political consensus behind continued liberalisation and reform. But there are also dangers. In particular, reformist and investor-friendly states such as Tamil Nadu, Gujarat, Maharashtra or Karnataka look to be leaving behind poorer, under-developed states like Bihar, Uttar Pradesh or Madhya Pradesh.

A further political complication is that the more backward states are also India's most populous and heavily represented in parliament. Uttar Pradesh and Bihar, India's two most heavily populated and least reformist states, between them return a quarter of the parliament's 543 MPs.

Such factors, and the possibility that India's next coalition could embrace more than a dozen parties, make it less likely that the next government will be able to give decisive, clear-cut leadership. Decision-making may prove easier in a coalition dominated by Congress or the BJP than in the previous 13-party United Front, but it is also likely to require constant, hard internal bargaining over policy.

This suggests India's economic reform programme may continue to be hampered by differences within the government and battles for consensus over tough or unpopular reforms. And much remains to be done before India can claim fully to have dismantled the financial, trade, investment and industrial controls that conspired until the 1990s to produce a 3.5 per average cent "Hindu rate of growth".

But the pace, timing, priorities and above all continuation of Indian reforms remain critical to its economic prospects. So far the country has felt only the backwash of Asia's financial storms, chiefly because it remains more closed than its eastern neighbours. Its banks do not hold significant short-term foreign debt. Nor does its corporate sector. India's current account deficit is a manageable proportion of gross domestic product, likely to be around 2 per cent this year. The main effect of Asia's crisis has been an outflow of foreign portfolio funds from the stock market over the past three months, which has helped contribute to a 10 per cent depreciation of the rupee.

Perhaps the principal danger would be if India's next government decided that, in the wake of Asia's crisis, the country should slow reforms and maintain the existing barriers to trade and foreign investment.

There are few clues from the campaigns of the main parties as to which path India may take. The only direct allusion to the Asian financial crisis has come from the BJP, which said in its manifesto that "the experience of Asian nations presently under pressure" was reason for India to "appraise and review" its seven-year-old reforms.

Asked recently what specifically India should learn from the crisis, Lal Krishna Advani, BJP president, said only it would "need some thinking". Meanwhile, Jaswant Singh, the BJP's likely candidate for finance minister, unpromisingly told a Madras business audience that "currency markets are a bit like witchcraft – I really don't know how they operate".

Congress's economic manifesto is substantially more outward looking in tone. But whichever party anchors India's next government must contend with managing a diverse coalition of smaller parties, many – if not most – of which incline to the left and are preoccupied with local issues. The sheer task of governing the world's biggest, most disparate democracy may therefore keep the next government inward looking.

• OBSERVER •

Talent takeover

■ For years, Washington has been wrangling over whether banks and insurance companies should be allowed to buy each other. In the meantime, the best banking brains have been busy taking over the insurance business all on their own.

Last week's announcement that Prudential Corporation, the biggest US mutual insurer, plans a stock market float was the work of Pru chief executive Arthur Ryan. A career banker, he departed as president of Chase Manhattan three years ago to try to revive the ailing insurer. He seems to have done it – by aggressively instilling banking and private sector disciplines.

The last big demutualisation in the US was largely the handiwork of Dick Jenrette, a founder of Donaldson Lufkin & Jenrette, who took the Equitable to market three years ago. It remains primarily an insurer and its chief executive, appointed last year, is Ed Miller, a former Chase Manhattan and Chemical Banking man. Health insurance is dominated by Aetna, which also appointed a new chief executive last year – one-time Chase Manhattan and Citicorp man Dick Huber.

None of that says much for the ability of the insurers to raise their own talent. But it says much for the irrepressible might of the American banker.

Pitched battle

■ Having your name on banners and posters around Madrid's Prado museum might impress some people but not Rodrigo Rato, the Spanish finance minister. Two dozen tents have been pitched close to the gallery by former employees of a soft drinks business controlled by the minister and his family. They've strung up slogans – such as "Rato – jobs terrorist" – attacking the company's closure and their dismissal terms.

The campaign involves those who lost jobs at Refrescos y Bebidas de Castilla (Rebecasa), former holder of a concession from the Cadbury Schweppes group to distribute two popular fruit drink brands. They've tried to press a fraudulent bankruptcy case against the minister but the supreme court turned down the case, passing the buck to local examining magistrates.

The company – 30 per cent owned by Rato, who had no management role, and headed by a brother-in-law, José de la Rosa – filed for protection against creditors in November arguing the supplier had broken its contract. Schweppes says the agreement was rescinded because Rebecasa broke its terms and conditions. No doubt Rato thinks the demonstrations are a lot of fizz about nothing.

Pact tract

■ Washington has been brimming over with central and eastern Europeans lobbying the Senate to approve their countries' admission to Nato.

Poland and the Czech Republic were represented by foreign ministers with impressive records of academic achievement and a history of harassment by their former communist rulers. Poland's Bronislaw Geremek was regularly detained – the price to pay for his role as an adviser to Solidarity.

His Czech counterpart Jaroslav Sedivy – an author on 19th century history – spent the 1970s working as a window cleaner because he was barred from academia. But the person who stole the show was Nadejda Mihaylova, Bulgaria's foreign minister. At 35, she's too young to have seen the worst of Soviet domination, but she can compete with her counterparts intellectually: she's a translator and poet, with more than 3,000 published verses to her credit.

Asked whether her pro-western government would prevail in a country where the political establishment and security forces have a strong Russophile tradition, she insisted the Bulgarian army had "never been against the people". That reminds Observer of the Bulgarian nobleman studying at Oxford during the 1920s who did his best to help break the general strike by explaining: "Wherever I am, it is my duty to fight against the people."

Help!

■ It's not clear if Volkswagen boss Ferdinand Piech will succeed in his mission to use the Beatles to help market the German motor group's new Beetle car – or which of the Fab Four's tunes would best promote the golden oldie of autos. How about "When I'm 64"?

As he thumbs through his record collection, the VW chief might look for tunes that help soothe shareholders' anger over VW's reluctance to spell out exactly how it will use the money from the share offer now proposed. VW said "Hello, Goodbye" to the planned offering after its shares fell abruptly at the end of last year.

But the company isn't going to "Let It Be" and, ahead of the big day, Wolfsburg's spin doctors are having a "Hard Day's Night" digging out any good news to help boost the wilting share price. Doubtless Piech can work it out – with a little help from his friends.

The Financial Times

100 years ago

Germany's African Colonies
Berlin, 12th Feb. The Reichstag to-day discussed the colonial estimates. On the item relating to the credit for the construction of the Usambara Railway in east Africa being reached, Baron von Richtofen, Head of the Colonial Department, declared that the Government was at present engaged in studying technical details with the object of deciding the question whether construction of the railway was to be continued or not, and they would in due course communicate the result of their deliberations to the Reichstag. The East African Company was not willing to go on with the railway, and, under its treaty, could not be compelled to do so.

50 years ago

San Paolo Railway
The Board of San Paolo (Brazilian) Railway Company is still awaiting news of the company's claim against the Brazilian Government. This is made known by Mr. G.M. Booth, chairman, in his statement issued with the annual accounts. The railway was expropriated in September, 1946, since when the Brazilian Government has agreed to compensate the company to the extent of £6,638,803 for "recognised capital."

FINANCIAL TIMES
Monday February 16 1998

Egyptian president urges Iraqi leader 'to be wise'

Mubarak leads appeal to Saddam Hussein

By David Gardner and Mark Huband in Cairo

President Hosni Mubarak of Egypt is leading an Arab diplomatic initiative to persuade Saddam Hussein, the Iraqi leader, to step back from the brink and avert US and British air strikes.

The Egyptian leader has appealed to him four times in recent days to co-operate with UN weapons inspectors in an attempt to defuse mounting tension in the Gulf.

Arab leaders fear that military strikes would enrage public opinion throughout the Middle East, at a time when the Israeli-Palestinian peace talks are stalled, while still failing to destroy Iraq's arsenal of chemical and biological weapons.

Six US F-117A Stealth bombers yesterday joined the 300 military aircraft, two aircraft carriers and 12 warships in the region. An airlift of 3,000 US ground troops to Kuwait is imminent, bringing the US troop presence in the country to 4,500. Mr Muharak said he had advised Iraq to give UN inspectors "the green light without preconditions ... then we and others can help diplomatically to set a time limit" to the inspections.

He suggested that along with the Arab countries, France, Russia and even the UK could then try to ensure that the inspections were quickly completed and the UN embargo on Iraq lifted. "Use your wisdom, I told him [Saddam]," said Mr Mubarak. "He responded by saying, 'I have done my best'."

Baghdad has denied access to the UN team of weapons inspectors (Unscom), charged with finding and destroying Iraq's weapons of mass destruction. Diplomatic efforts have run up against US and UK insistence that Unscom be given unconditional access to all suspected sites.

UN technicians arrived in Iraq yesterday to identify "presidential sites" suspected of harbouring weapons. They are expected to stay three or four days. Kofi Annan, UN secretary general, meanwhile, is considering a visit to Baghdad. He is trying to win agreement from the Security Council permanent members, divided between the US and Britain, and Russia, China and France, on the minimum conditions Iraq must meet to end the standoff.

Bill Richardson, US envoy to the UN, failed during talks in Beijing at the weekend to allay Chinese concerns over possible US-led military action.

In Washington, national security adviser Sandy Berger said military action would not be taken in the next few days. President Bill Clinton is due to give a television address on Iraq this week.

According to US officials, any compromise reached with Baghdad would have to be "bolted down" to prevent it from being a temporary fudge.

Sounding the alarm, Page 14

Pineapple drought may shake up the pina colada set

By Gary Mead in London

A growing shortage of pineapples could soon shake things up in the world's cocktail bars and discos. Supplies are falling and prices rising for the spiky fruit, a key ingredient in many popular fruit-based alcoholic drinks, such as the pina colada.

Processors estimate that juice concentrate delivered in Europe will be $1,750 a tonne by the end of the year, a rise of more than 35 per cent in less than two years.

Processor prices for canned pineapple are also up. Now $20 for a case of 24 against $17 at the start of last year, they are expected to reach $24 by year-end. If strong demand for canned fruit continues, juice concentrate prices may climb even higher as fruit is drawn away from juice processing.

"We are reaching a point of a critical shortage and I think these higher prices will soon start to filter down to the consumer," said Vivian Imerman, chief executive and chairman of Del Monte, which processes about 25 per cent of the world's pineapples.

"Although we source much of our product from Kenya, we are impacted by this shortage, as even Kenya's output is about 15 per cent down as a result of last year's drought and this year's floods."

Three countries, Indonesia, Philippines and Thailand, account for 75 per cent of pineapple production. In 1996 their exports of juice concentrate were worth over $220m.

While production levels in the Philippines have been holding up, Thailand and Indonesia have been hit by drought. There has also been a general shift of labour away from agriculture in Thailand, as small contract growers have been tempted into higher-value crops or industry in search of higher incomes. Its pineapple production has halved in two years.

Demand remains strong in the US, the world's biggest market for canned pineapple and juice, but in Germany, Europe's largest market, price rises have already had an impact, with imports of canned pineapple down about 25 per cent last year.

Indian security forces on alert after poll bombings

By Mark Nicholson in Bangalore

India's police and paramilitary forces were put on heightened alert yesterday on the eve of polling in the country's general elections after weekend bomb blasts in the southern city of Coimbatore killed more than 80 people.

The attacks happened in advance of a rally in the city by the Hindu nationalist Bharatiya Janata Party. Lal Krishna Advani, BJP president, who had been due to address the rally, claimed the bombs were a direct attack on his party, which leads in the opinion polls, and his life.

The attacks represent India's worst election outrage since the 1991 killing of Rajiv Gandhi, former Congress leader, also in the southern state of Tamil Nadu. They bring to more than 100 the number killed in pre-election violence. Political parties, while vying to make capital out of the bombings, joined M.S Gill, chief election commissioner, in urging voters not to be deterred. "People must have confidence and go out and vote," said Mr Gill.

Voting takes place today in 222 of India's 543 parliamentary constituencies, the first ballot in India's staggered polls. Polling continues until March 7. Coimbatore goes to the polls on February 22.

A delayed flight kept Mr Advani from the Coimbatore rally, but the first of 17 blasts across the city came as he had been due to begin speaking. Three people were injured near the speakers' platform. Mr Advani said police told him a suicide bomber detonated the device behind the platform after a chase.

No one has claimed responsibility for the blasts, but the Tamil Nadu state government immediately banned two extremist Islamic groups – al-Umma and All-India Jihad Committee. Al-Umma denied any links with the bombs. Six of the dead were killed in a blast yesterday, apparently while throwing a bomb at a police raiding party.

Rioting and arson in Coimbatore left some buildings smouldering. Police arrested 200 people in the city, ordered a curfew and threatened to shoot looters on sight.

The likely political effects of the bombings are unclear, but rival politicians in south India suggested they might provide a small wave of sympathy for the BJP and its allies.

Sitaram Kesri, general secretary of the Congress party – whose fortunes have been revived by the campaign of Sonia Gandhi, widow of Rajiv – said the bombings were motivated to aid the BJP. He accused the Rashtryia Swayamsevak Sangh, a cult-like sister organisation of the BJP dedicated to Hindu revivalism, of being behind the blasts.

India's party guests, Page 15

THE LEX COLUMN

Fiscal ritual

It all looks very familiar. A Group of Seven meeting beckons, Japan is under pressure to put its economic house in order, and hey presto, Tokyo announces another fiscal stimulus package. That seems to be the script this week. It is difficult not to be cynical, especially with the government determined to talk the market up before the financial year-end in March. And Y60 trillion of such packages between 1992 and 1995 have hardly ignited an economic recovery.

Still, this does not mean Keynesian demand management is inappropriate. Without it, Japan would certainly have fallen into a severe slump. But it is clearly insufficient to restore the country to a higher growth path. Two other key areas must be addressed. One is psychological; consumption is clearly being damped by a crisis of consumer confidence. Inasmuch as this is fed by concerns about persistent structural issues – such as corruption, unemployment and pensions – there is no speedy solution.

But it could certainly be better managed. The drip, drip of statements from government and the ruling Liberal Democratic party – at least 15 between October and January - minimises their impact. A Big Bang approach to policy would be much better. Moreover, there is a powerful sense of ad-hocery. If the government could situate its policies within a credible medium-term strategy, they would be much more effective.

The other problem, of course, is that the Japanese economic model is creaking mightily. While return on equity in the US has doubled over the past 15 years to more than 20 per cent, it has slumped to under 5 per cent in Japan. For this to change, Japan needs to embark on wholesale market deregulation and corporate restructuring.

Alas, the country is still far from embracing radical change. That will require a much more acute sense of financial crisis. In its absence, there is little case for the Nikkei average breaking out of the 14,000-23,000 trading range it has occupied for the past six years.

Investment banking

The bull market is still roaring, Asian difficulties notwithstanding. So why have some of the world's big investment banking groups got the jitters? Deutsche Bank has announced 9,000 job cuts worldwide, Bankers Trust is restructuring its Asian business and ING Barings and HSBC have cut back in Latin America.

The reasons for each move are not identical but the underlying strains are the same. Markets may be at record levels, but margins are not. Underwriting and trading spreads are under pressure, and the lucrative mergers and acquisitions sector is proving the hardest to penetrate. Yet these firms are still investing in their businesses in an attempt to leap from the middle ranks to the global bulge bracket, where the money is being made.

Joining the likes of Merrill Lynch, Morgan Stanley and Goldman Sachs, which already have broad, established businesses, is harder than it looks. Newly-merged Salomon Smith Barney has global reach but still has to find a way to make money from Salomon's overseas business. J.P. Morgan has leapt up the league tables but has not managed to replicate the process in its revenues. It has won underwriting mandates from its top-notch banking clients, but struggled to expand its franchise to include less prestigious, but still profitable, deals. Morgan is believed to be scaling back investment to rein in expenses, while Smith Barney management must be taking a tough look at Europe and Asia. And these two firms are the closest to replicating what the bulge bracket already has. For others, the Asian crisis may have hastened some overdue re-thinking.

Inter-Continental

While the Asian crisis may bring assets to the market, there is no guarantee of knock-down prices. The indebted Saison group's hasty sale of Inter-Continental, its 212-strong chain of four star hotels, is a case in point. Interest from trade buyers has encouraged the private Japanese company to shelve plans to float Inter-Continental. After Ladbroke's exit from the fray, and perhaps Patriot's too, a final short-list of Bass and Marriott should still ensure fierce bidding.

Saison's hope of selling Inter-Continental for $2.5bn-$3bn implies a fairly steep exit multiple of between 14 and 17 times 1997 earnings before interest, depreciation and tax believed to be around $180m. Achieving that may be easier than it sounds. Not only is the Inter-Continental brand one of the strongest in the industry – and therefore easily rolled out in new locations – but its size gives it real scarcity value. It has over three times as many rooms as Granada's Meridien, the only other group that looks likely to come up for sale in the future.

Such scale would be vital for Bass, which has just cleared its decks for a major acquisition to strengthen the lacklustre Crowne Plaza in the business hotel segment. But the bidding could push Bass into a lose-lose situation. Missing an important chance to strengthen the upper end of its hotel business would be bad. But overpaying, particularly given long memories of the pricy Holiday Inn acquisition, would be worse.

NatWest

If speculation that Lord Blyth may take the helm at Natwest proves well-founded, investors should feel more cheerful. Boots under his tenure has been a considerably happier tale than NatWest under Lord Alexander. Lord Blyth's value-driven management style would be a welcome discipline at NatWest, and his retail skills would surely come in handy. But will NatWest still be independent in a year's time when Lord Alexander steps aside? After all, talk of a merger with Barclays refuses to die.

Public policy aside, a tie-up would offer compelling scale benefits. But one argument that does not wash is the need for "national champions" along the lines of the SBC/UBS merger. That is a response to a dismally unprofitable domestic market – not the case in the UK. And the merger seeks to boost their global investment banking ambitions – a market both Barclays and NatWest have withdrawn from. Inasmuch as it matters, HSBC and Lloyds TSB qualify comfortably as national champions anyway.

EU to reward the frugal

Continued from Page 1

Two", covering areas of rural and industrial decline, would also fall from 25 to 20 per cent. The regional affairs commissioner is planning to soften the blow through transition periods, enabling regions to continue to benefit after 2000 even if they no longer meet the criteria for eligibility. Transition aid would be reduced gradually, over six years in Objective One and over four years for Objective Two. Mrs Wulf-Mathies last week rejected UK government claims that she was planning changes which would exclude regions with persistent high unemployment.

Big Six non-merger

Continued from Page 1

also investigating ways of securing capital in the form of a bond offering.

Ernst & Young executives are likely to decide quickly to try to "fast track" global integration of some of their businesses – such as serving financial service, energy, oil, and gas clients and all consulting services.

PW and Coopers's document issued to partners uses sophisticated competition indexes to claim that their merger would not breach regulatory thresholds except in Germany – the KPMG merger with E&Y caused potential problems in 10 European countries.

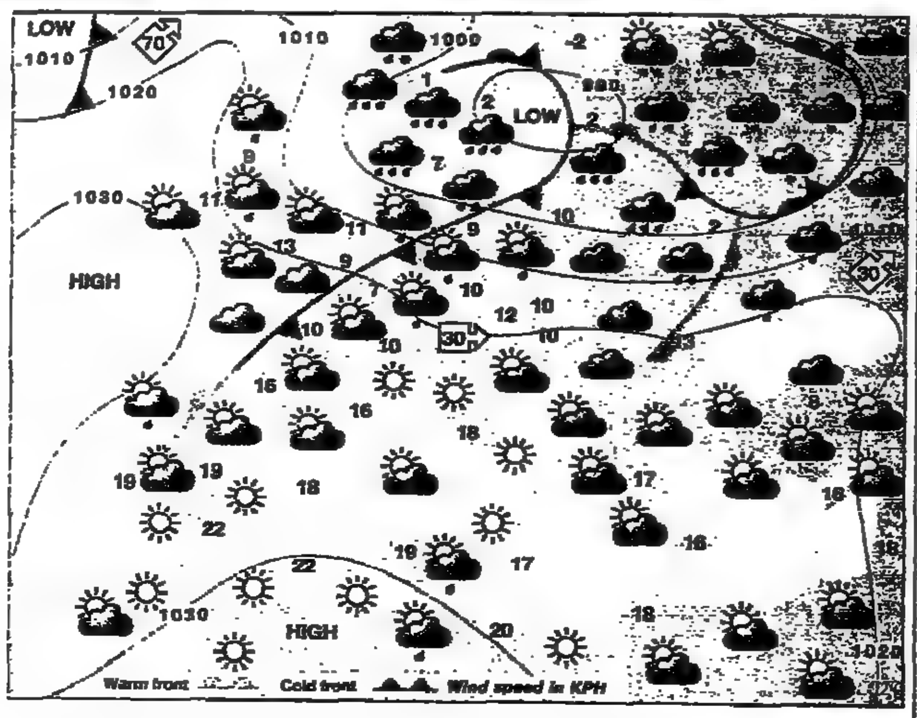
FT WEATHER GUIDE

Europe today

Southern Scandinavia will have heavy rain, with snow on the north edge of the rain band. The rest of Scandinavia will be very cold and bright with occasional snow flurries. Western Russia will be cold with further snow, but much of eastern Europe will be breezy and mild with spells of rain. The Low Countries and Germany will be breezy with showers but the Alps will remain fine and warm. France will be mostly dry with sunny spells, particularly in the south. Most of the Mediterranean will be fine and dry and the Iberian Peninsula will be notably warm.

Five-day forecast

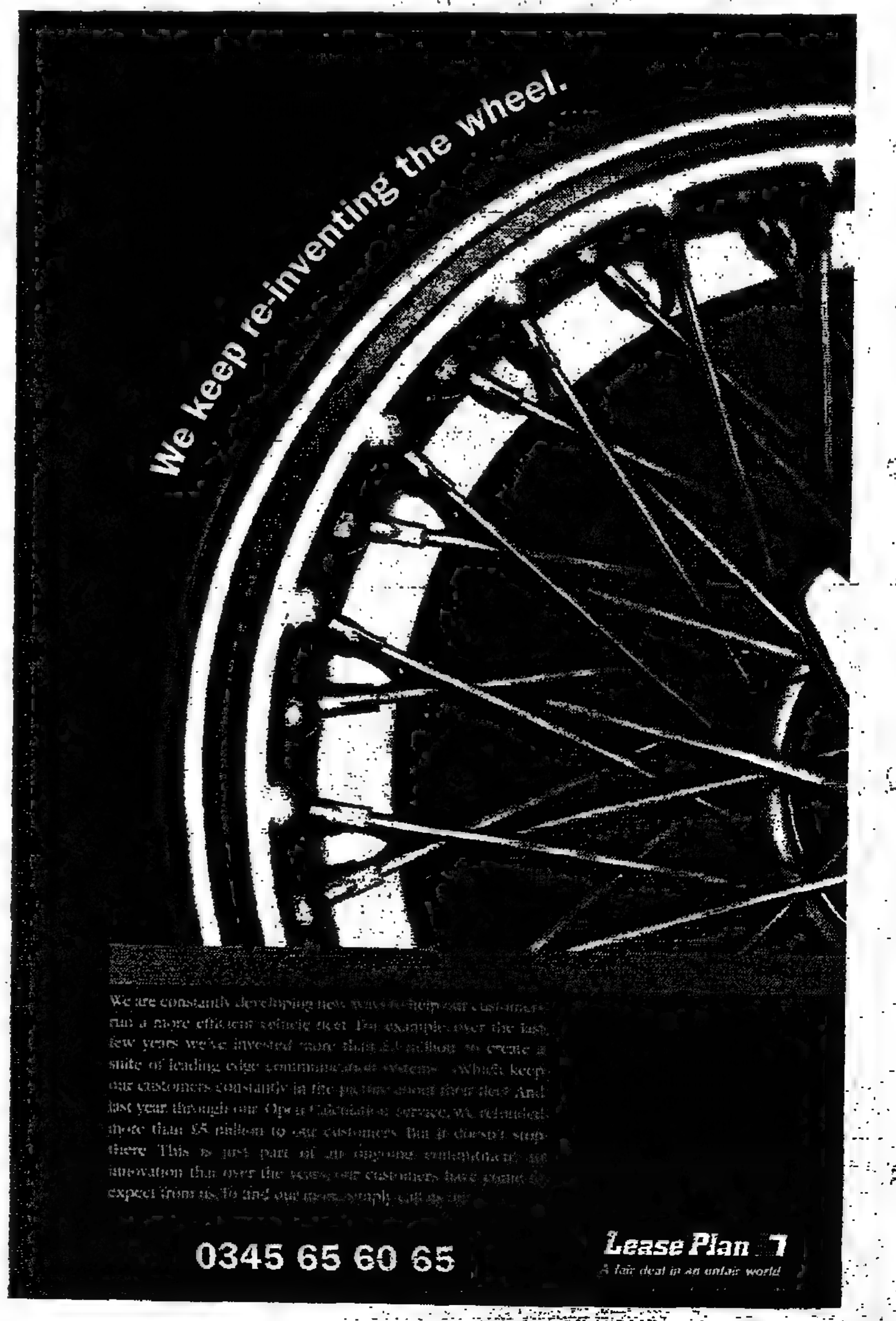
Scandinavia and western Russia will be cold and breezy with frequent snow showers. Much of central and western Europe will be dry and fine although overnight frost and fog may be slow to clear. Much of the western Mediterranean will remain fine and warm although eastern parts will be cooler and also showery at times.



Situation at midday. Temperatures maximum for day. Forecasts by PA WeatherCentre

TODAY'S TEMPERATURES

	Maximum	Beijing	Sun 8	Cardiff	Fair 11	Frankfurt	Shower 9	Madrid	Sun 19	Rangoon	Fair 34
	Celsius	Belfast	Shower 10	Casablanca	Fair 22	Geneva	Fair 14	Majorca	Fair 18	Reykjavik	Rain 7
Abu Dhabi	Sun 21	Belgrade	Sun 18	Chicago	Rain 8	Gibraltar	Fair 21	Malta	Fair 17	Rio	Thunder 29
Accra	Sun 32	Berlin	Shower 11	Cologne	Shower 11	Glasgow	Shower 9	Manchester	Shower 11	Rome	Sun 16
Algiers	Sun 22	Bermuda	Cloudy 21	Dakar	Sun 25	Hamburg	Rain 10	Manila	Fair 31	S. Frsco	Rain 12
Amsterdam	Shower 11	Bogota	Cloudy 19	Dallas	Cloudy 16	Helsinki	Fair -2	Melbourne	Shower 21	Seoul	Sun 8
Athens	Fair 17	Bombay	Fair 32	Delhi	Fair 25	Hong Kong	Thunder 20	Mexico City	Sun 26	Singapore	Fair 33
Atlanta	Rain 17	Brussels	Shower 9	Dubai	Sun 32	Honolulu	Fair 27	Miami	Cloudy 28	Stockholm	Sleet 2
B. Aires	Fair 28	Budapest	Sun 18	Dublin	Fair 11	Istanbul	Cloudy 12	Milan	Sun 18	Strasbourg	Fair 10
B.ham	Shower 12	C.hagen	Rain 7	Dubrovnik	Sun 16	Jakarta	Thunder 32	Montreal	Sun -2	Sydney	Thunder 31
Bangkok	Fair 34	Cairo	Fair 20	Edinburgh	Shower 10	Jersey	Fair 12	Moscow	Snow -4	Tangier	Fair 20
Barcelona	Sun 19	Caracas	Fair 28	Faro	Sun 21	Johannesburg	Thunder 27	Munich	Sun 12	Tel Aviv	Fair 18
						Karachi	Fair 25	Nairobi	Fair 27	Tokyo	Cloudy 10
						Kuwait	Sun 22	Naples	Sun 18	Toronto	Cloudy 4
						L. Angeles	Fair 17	Nassau	Cloudy 29	Vancouver	Rain 8
						Las Palmas	Fair 24	New York	Cloudy 5	Venice	Fog 12
						Lima	Cloudy 32	Nice	Sun 16	Vienna	Sun 17
						Lisbon	Fair 19	Nicosia	Fair 16	Warsaw	Rain 11
						London	Fair 13	Oslo	Snow 1	Washington	Cloudy 7
						Luxbourg	Drzl 7	Paris	Drzl 10	Wellington	Cloudy 22
						Lyon	Sun 17	Perth	Sun 35	Winnipeg	Sleet 7
						Madeira	Fair 20	Prague	Shower 10	Zurich	Sun 13



FINANCIAL TIMES
COMPANIES & MARKETS
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INSIDE

Hollywood turns focus on Europe

Hollywood is preparing to cash in on the buoyant European film market. The market has expanded since the early 1990s, with more than 1,000 new screens opening. US studios are keen to forge closer links with Europe, notably Universal, Paramount and 20th Century Fox, which hope to invest in UK companies. Page 19

Empresas gets state aid
Empresas ICA, Mexico's largest construction company, has received 2.8bn pesos ($330m) in the first instalment of a government bale-out for builders of the nation's bankrupt private toll roads. Page 18

GLOBAL INVESTOR
Breaking with the past
The demutualisation last week of Prudential Insurance of the US has added to the range of potential holdings available to investors. However, with the break from the mutual past has come a more ruthless climate of shareholder value. Companies increasingly see themselves as vehicles for maximising the net present value in shareholders' hands, regardless of their place of origin and historical traditions. Page 20

INTERNATIONAL EQUITIES
The year of the convertible bond
This could be the year of the convertible bond. Some of the biggest deals in recent months have been in the sector, and last week saw the largest convertible offering ever – Bell Atlantic's $2.4bn issue exchangeable into its 25 per cent stake in Telecom Corporation of New Zealand. Page 20

CURRENCIES
Japan awaits stimulus package details
The yen may be the busiest currency this week. On Friday, Japan is expected to present some kind of economic stimulus package. The following day the G-7 nations meet in London, and the yen may figure on their agenda too. The currency fell last week on signs that the package may be smaller than first expected. Page 21; Lex, Page 16

COMMODITIES
Tobacco reform sparks controversy
Farm ministers meet in Brussels today and tomorrow to discuss European tobacco farming reform. A proposal intended to persuade growers to shift production to higher-quality tobacco, and also to let them sell their quotas and leave the industry, has sparked controversy. Page 21

EMERGING MARKETS
Latin America up for grabs
Last week's pull-out by ING Barings from Latin American equities research, sales and trading left many competitors close to shock. After the similar recent move by HSBC James Capel, the main beneficiaries may well be the big US firms, whose stranglehold over the financial markets seems to be tightening. Page 22

INTERNATIONAL BONDS
Appetite for Asian debt grows
Calm seems to be descending on the Asian debt markets, and entrepreneurial investors are looking for ways to restore liquidity to the sector. The appetite for debt in Asia is clearly increasing, in spite of difficulties in assessing the size of the distressed debt. Page 22

MARKETS THIS WEEK
New York
Securities dealers appeared to decide last week that the worst of the Asian financial crisis was over. The Dow broke through 8,300 and the new orthodoxy is that the Asian devaluations will not lead to economic collapse in the region, but will keep a lid on US inflation. Page 21

FT GUIDE TO THE WEEK – full listings Page 32

ONLINE TAX
The general council of the World Trade Organisation meets in Geneva on Thursday to discuss a US proposal to make goods and services supplied on the internet duty-free. No country charges customs duties at the moment but with the volume of internet commerce predicted to soar in the next few years, some WTO members may be reluctant to renounce taxation altogether.
INDIA GOES TO THE POLLS
The world's biggest electorate begins the task of choosing India's next government today. Up to 600m voters will take four days to vote in the country's 543 constituencies.

Companies in this issue

Market Statistics http://www.FT.com

Columbia/HCA catches winter cold

Troubled hospitals group posts after-tax $1.29bn loss

By Richard Waters in New York

The spread of cut-price managed healthcare in the US and soaring costs added to the financial troubles of Columbia/HCA, the country's biggest hospital group, in the final quarter of last year, leaving it with a $1.29bn after-tax loss for the period.

The bulk of the losses stemmed from the upheaval at the company which followed an investigation into whether it over-billed Medicare, the Federal health insurance scheme. However, the latest figures also pointed to a sharp rise in Columbia/HCA's reliance on patients who are covered by managed care schemes, which typically pay lower rates for care. The Nashville-based company had already warned of heavy charges tied to a restructuring which is now under way.

Columbia/HCA chairman Thomas Frist: the group plans to shed more than 100 hospitals Picture: AP

These included $732m to write down the value of hospitals and other assets due to be closed or divested.

Under its restructuring plan, the once high-flying group plans to shed more than 100 of its 336 hospitals, along with its home healthcare operations and many of its surgery centres. The company attributed another $55m of fourth-quarter charges to the government investigation and severance costs, and $56m to changes in accounting methods. Thomas Frist, chairman, said the company was still involved in the Federal investigation, but would not comment further.

Mr Frist came to the fore after Richard Scott, the Wall Street lawyer who built the company through a series of giant acquisitions into the biggest US healthcare company, was ousted last year in the wake of the scandal. Even without the one-off charges, though, Columbia said it would have suffered an after-tax loss of $404m for the quarter, compared with a $398m profit in the same period in 1997.

Its revenues for the period slipped by 9 per cent to $4.4bn. The decline arose in part from delays in Medicare payments, as well as lower Medicare reimbursement rates, the company said.

It also pointed to an increase in admissions of patients under managed care plans. These amounted to 37 per cent of total admissions, up from 33 per cent a year before. Such plans typically pay far lower rates, and the growing reliance on managed care was seen on Wall Street as an attempt to shore up the company's flagging rate of growth.

Admissions to existing facilities increased only 0.6 per cent from a year before. And while revenues were falling, costs were rising – operating expenses increased faster than anticipated, Columbia said, reaching nearly $4.1bn, an 18 per cent increase from the year before.

Spain set to sell stake in tobacco company

By Tom Burns in Madrid

Spain is preparing to sell its 52 per cent stake in Tabacalera, producer and distributor of tobacco products, in a Pta275bn ($1.7bn) public offer scheduled for April.

The state will keep a "golden share" in the company to prevent rival groups acquiring a significant stake.

The sale forms part of the centre-right government's drive to take advantage of buoyant markets by disposing of as much equity as possible in partially privatised companies.

Tabacalera manufactures cigars, cigarettes, and other tobacco products and distributes them to kiosks and other outlets nationwide.

The golden share will be included because Tabacalera is considered a strategic company as the wholesale distributor of Spain's postage stamps and other official documents such as income tax forms.

The Tabacalera offer follows the Pta350bn privatisation of Argentaria, the banking group, for which the price will be set today.

Argentaria's independence is also protected by a golden share that makes any acquisition of a stake of more than 10 per cent subject to government approval during the next four years.

In May or June, after Tabacalera's privatisation, the government is due to sell up to 25 per cent of the power group Endesa in a disposal worth as much as Pta800bn. The sale will reduce state-owned equity in the electricity utility to below 20 per cent.

The government stands to earn more than $9bn from privatisation receipts in the first half of this year – equal to its privatisation receipts for all of 1997.

Tabacalera has been a star performer during the sustained rally of the Madrid stock market. Its share price has risen 140 per cent over the past year and its stock is trading above Pta13,200.

Under Cesáreo Alierta, a wealthy Madrid stockbroker who was appointed by the government to run Tabacalera in June 1996, the company has struck a keynote alliance with Seita, the French tobacco group.

Investors look to eastern Europe

By Jonathan Ford in London

Potentially lucrative returns are leading to a sharp rise in interest from US investors in east European venture capital funds.

The amount of capital committed to private sector funds in the region nearly doubled to $3bn during 1997, and the growth rate is poised to accelerate this year.

Private equity managers are currently seeking to raise more than $1bn for eastern European deals.

"US investors are looking to allocate more of their private equity funds internationally, and central Europe is starting to benefit from this trend," said Kurt Geiger, head of financial institutions at the European Bank of Reconstruction and Development, one of a number of financial institutions that pioneered investment in the region.

Funds sponsored by such international institutions amounted to $4.8bn at the end of last year, but the new interest is almost entirely in private sector funds.

One reason the rate of new investment is accelerating is that the institutions being targeted to provide capital – US pension funds and insurance companies – wish to invest mainly in large regional funds that diversify risk by putting money into opportunities right across eastern Europe.

In the past, most funds in the region tended to be country-based, and thus smaller because their opportunities were more limited.

Barings Private Equity Partners, for instance, is setting up a $250m regional fund, while AIG, the US insurance group, is sponsoring a $300m fund. Existing funds are also dipping back into the market. The US venture group Advent, which raised its first eastern European fund in 1994, is coming back for around $200m.

US funds, which have long experience of supplying private equity to their large home market, are looking abroad for opportunities because returns from domestic investments are shrinking.

Last year venture funds tapped US investors extensively when raising capital to invest in western Europe. Now the same trend is spilling over into the east.

Prudential Corporation of the US, for example, is close to investing around $50m in a fund managed by two regional investment banks – Patria of the Czech Republic and Concordia of Poland.

Private equity managers welcome the influx of capital, but are concerned it will increase competition for deals, causing prices to rise and returns to shrivel.

Advent's planned $200m fund aims to circumvent this by investing in large transactions, where it believes the competition should be less fierce. Others are seeking to specialise in particular industrial sectors.

World loan and bond market double act falls victim to crisis

By Edward Luce and Simon Davies

International bond and loan markets used to march in lockstep. When global liquidity rose both markets boomed; when conditions reversed, the two markets shrivelled in unison. But events over the last 12 months – and especially this year – suggest the link is breaking down.

Since January 1 more than $150bn in new bonds have been issued on the international markets - about 20 per cent higher than the same period last year. In contrast, data from Capital Loanware suggest a significant decline in issuance in the syndicated loan market.

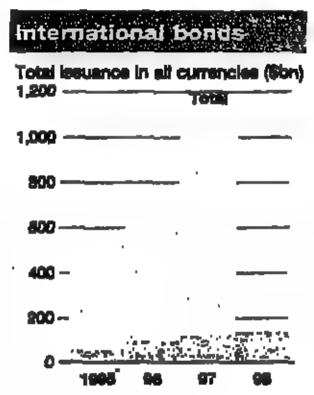
There may be a lag before banks confirm recent loans, but it is clear that the international loan market is shrinking rapidly, both in proportion to the bond market and probably also on an absolute scale.

At the same time, the bond markets are becoming an obvious source of finance for companies and banks in Europe and elsewhere.

Rick Deutsch, high-yield analyst at Merrill Lynch, argues: "It's not quite a torrent, but it's certainly more than a trickle. We are beginning to see European corporates that would never have even considered tapping the bond markets before, that have actually done so. And these are not just junk bond issues."

One of the main barriers to the development of a broad

International bonds



Source: Capital data hardware

European capital market has been the entrenched nature of the syndicated loan business. Banks have offered extremely tight pricing, often taking on unprofitable business for the sake of bank relationships and a position in the league tables. But this is finally changing.

The Euroloan market amounted to $392bn last year, according to Barclays Capital, and showed a slight increase over 1996.

But since the Asian crisis intensified in the fourth quarter of 1997, Japanese banks have all but withdrawn from the loan market. They had previously accounted for around 15 per cent.

Other Asian banks have also vanished. Meanwhile European banks are under pressure to improve returns on capital – and this is an area where returns have been poor.

"The loan market faces some real challenges", said Tim Ritchie, a managing director at Barclays Capital. "But the more profitable end of the business is in leveraged loans and acquisition finance, and I think that will have a good year."

There are signs he is right. Margins on lending have started to recover after four years of decline arising from international competition and high levels of bank liquidity.

Rising levels of mergers and acquisitions activity in Europe should provide some support for the loan market, because loans offer the advantages of flexibility and secrecy for predators.

But other developments argue for a widening gap between the two capital markets. Mr Deutsch said: "The shift from the loan market into bonds will be driven by consolidation in the European banking sector and the development of mutual funds."

This will reduce capacity in the Euroloan market, while increasing demand for corporate bonds. In the bond markets, this year's boom is all the more remarkable since emerging market borrowers are virtually absent. Instead, European banks, US and European companies and multilateral institutions, such as the World Bank, have dominated supply.

At the same time, a new class of debt, the junk bond, is becoming commonplace. On Friday, for example, Fresenius, the German medical equipment maker, issued a two-tranche $450m and DM480m junk bond - so-called because the issuer has a sub-investment grade rating from the credit rating agencies.

A range of other European companies, including the UK's IPC and Moulinex of France, have either issued junk bonds or plan to do so. Yet, just 12 months ago such an option did not exist.

"Companies don't have to rely on banks any more to raise capital," said Avinash Persaud, head of currency research at J.P. Morgan. "It is probably cheaper and it is certainly easier to go straight to the bond markets."

Six institutions set to start action against Emerson

By Virginia Marsh

At least six UK institutional investors are this week expected to begin legal action against Emerson Electric, the US electronics group that is trying to take full control of Astec (BSR), the UK electronics concern.

The case – thought to be the first of its kind in the UK – aims to test the rights of minority shareholders as prescribed in the 1985 Companies Act.

It is understood that Royal & Sun Alliance, Equitable Life, Electra Fleming, Clerical Medical, the British Steel Pension Fund and Credit Suisse Asset Management will go to court to challenge Emerson's plans. Emerson wants to increase its 51.1 per cent stake in Astec, to remove independent directors from its board and end dividends.

The institutions bringing the action together hold 13 per cent of Astec and have the support of another six investors with 6.7 per cent. These six do not wish to lead the court action but will share costs. The shareholders said they hoped more institutions would join them this week. The institutions view Emerson's plans to gain control of the Astec board and then cease dividends as an attempt to coerce minority shareholders to accept a bid "that substantially undervalues the company".

They hope to demonstrate that Astec's affairs are being conducted in such a way as to be "unfairly prejudicial" to the minority shareholders.

Emerson, which increased its stake to a majority last year, offered informally in January to buy out other shareholders at 111p a share. The shares were unchanged at 120p on Friday.

The US group, which is being advised by Deutsche Morgan Grenfell, declined to comment yesterday. It has requisitioned an extraordinary meeting, to be held on March 9, to remove three of Astec's directors from the board.

It has said dividends at the UK company should cease so it can spend more on acquisitions and organic growth. It also said it had paid its premium for control when it acquired a 45 per cent stake in Astec nearly 10 years ago.

Jollibee shrugs off downturn in Asia

By Justin Marozzi in Manila

Jollibee, the expanding Philippine hamburger giant, has shrugged off the effects of the Asian crisis, predicting a 20 per cent jump in profits in 1998.

The bullish forecast, given as most Philippine companies brace themselves for a leaner 1998, came with the announcement that net profits dropped 29 per cent from 602m pesos to 428m pesos ($10.63m) in 1997 after the group was hit by the collapse of the peso.

Raffy Dela Rosa, chief financial officer, said he was not including foreign exchange losses in his profits forecast, however, because the peso's exchange rate with the dollar was still volatile.

The company said it managed to increase sales by 20-25 per cent in 1982–83, the last time the country was hit by such a pronounced economic downturn.

The peso has fallen from 26.4 pesos to the dollar before the crisis began last July to a low of 46.55, although it has strengthened in the past several weeks.

The group's foreign exchange losses were 385m pesos in 1997, arising from a $28.9m loan taken out in 1996.

The company plans to raise about 1.5bn pesos in a warrants offering to cover its foreign and domestic debt commitments and generate cash for continued expansion. Consolidated revenues increased 27 per cent to 8.87bn pesos.

Isabel Evans-Freke, analyst at Paribas Asia Equity in Manila, said the group had strong fundamentals to help it weather the economic downturn. She was forecasting 20 per cent sales growth in 1998.

"Whilst other Philippine companies are not even thinking about expanding this year, Jollibee is looking at increasing the number of Jollibee stores by 50 and their Greenwich Pizza stores by 40. They're continuing their aggressive expansion to maintain market share over main competitors such as McDonald's."

Jollibee has impressed analysts with its successful performance against the American fast-food giant and a plucky expansion strategy that makes it one of the most outward looking companies in the Philippines.

It operates in the Middle East, as well as China, Brunei, Hong Kong, Guam, Indonesia, Malaysia and Vietnam.

Last year, the group said it was opening stores in the traditional headquarters of the hamburger, concentrating in California, which is home to the largest number of Filipinos outside the archipelago.

Shares in the group closed down 25 centavos on Friday to 17.5 pesos.

ICI plans to sell soccer stake

By Jenny Luesby and Patrick Harverson

Imperial Chemical Industries is planning to sell its 32 per cent stake in Middlesbrough football club as part of £5bn ($8.18bn) worth of disposals this year.

The news will create uncertainty for the Teesside club, which is currently second in the First Division and striving hard to regain a place in the Premier League.

Neither ICI nor Middlesbrough would comment on the planned sale, and it is not known if the company has lined up a buyer for the stake. Based upon stock market valuations of similar First Division clubs, it could be worth more than £10m. Middlesbrough made an operating profit of £2m on turnover of £14m for the year to July 1996.

Although money from the shares will represent only a tiny portion of the proceeds ICI expects to receive from its disposal programme, the sale will be politically sensitive for the company, which is a big employer in the region.

Steve Gibson, the haulage millionaire who already owns 68 per cent of Middlesbrough and is its chairman, is an obvious potential buyer. ICI could also consider selling it to another local company, or one of the UK media and leisure groups taking a close interest in soccer, or to the fans through a share offer.

"I would have thought it would be a pretty attractive proposition," said an investment banker who specialises in soccer. "It's a strong franchise. They've got a lot of support, and it's arguably in a more stable position than some quoted Premiership clubs people have bought into."

Middlesbrough's performance on the pitch over the next two and a half months may influence how much ICI receives for the stake; if the club gains promotion back to the Premiership this year it would enhance the value of the shares.

Clubs in the top flight earn substantially more from television, merchandising and other commercial activities than those in the lower divisions.

The Middlesbrough stake has been on ICI's books since 1986, when it joined a consortium, put together by Mr Gibson, a former ICI employee, to rescue the club from liquidation.

However, the other consortium members, including the brewer Scottish and Newcastle and the local authorities, later pulled out, leaving Gibson and ICI with a controlling interest.

Now, the group is ready to part company with the club as part of a reorganisation aimed at transforming it from a bulk chemicals company into a manufacturer of specialities. The group has raised £3.5bn from sell-offs in the last nine months, including its polyester and titanium dioxide businesses.

Gola heads for comeback in sportswear

By Patrick Harverson

Gola, the brand of famous soccer boots from the 1960s and 1970s once worn by comic book legend Roy of the Rovers, is to make a comeback this summer in time for the World Cup.

The 70-year old brand was bought for an undisclosed sum last year from the printing and packaging group Porter Chadburn by D Jacobson & Sons, the Lancashire-based footwear company.

Jacobson now plans to invest heavily in establishing Gola as a lower-priced alternative to the mega-brands in the sports shoe and apparel market such as Nike, Adidas and Reebok.

The company also wants to broaden the brand out into other areas of the leisure market, and has established partnerships with specialist distributors in men's wear, children's wear, sports bags and accessories.

"Over the past 14 months we have undertaken a comprehensive review of the brand and we are confident it has huge potential," says Harvey Jacobson, managing director. "I believe at the retail level there'll be £20m of Gola products sold this year," he predicts. Founded in 1927, Gola became one of the best-known names in football during the 1960s and 1970s. Its boots and kits were used by top teams such as Manchester United, and were endorsed by figures such as Bill Shankly, Liverpool's legendary manager.

However, the sale of the brand to a succession of neglectful companies saw Gola – which generated annual sales of £15m in the late 1970s – decline.

In spite of its failure to participate in the recent sports goods boom, Mr Jacobson believes Gola can be restored to its former position. "We have got very strong brand awareness and credibility, but in recent years the product ranges have not been there to go with the credibility."

The head of a rival sports goods company said the revival of Gola made commercial sense because of the popularity of football and the trend towards nostalgia in the sport.

"Its got recognition, and it's got tradition," he said. "But, they've got to bring it into the 21st century. They've got to be here and now with their product ranges and the personalities they use to endorse the brand. It can't just exist on its heritage."

Mr Jacobson said the company planned to promote the Gola name actively during the World Cup this summer. "We are looking at sports personality endorsements. But we've got no one signed up yet."

Legends: Bob Paisley (left) and Bill Shankly endorsed Gola. But nostalgia is not enough.

Hydro-Quebec to seek foreign ventures

By Scott Morrison in Toronto

Hydro-Quebec, one of North America's largest utilities, is targeting investment opportunities in Latin America and Asia.

It has formed a partnership with a Canadian workers' fund to invest C$1.5bn (US$1.04bn) in international energy projects over the next five years.

The Canadian utility's international arm will contribute C$1bn to the joint investment fund over five years, while the Quebec Federation of Labour's venture capital fund will add C$500m. Hydro-Quebec said it would seek a 40 per cent participation in new foreign projects.

With North America's energy market rapidly maturing, Hydro-Quebec and its new partner, which manages C$2.2bn in assets, say they must seek foreign ventures to achieve growth and returns on investments.

World demand for energy is expected to grow by 5–10 per cent annually over the next 10 years and investment opportunities in the international energy market should reach C$1,200bn.

Hydro-Quebec said the joint investment fund would strengthen its position in the competitive international market by significantly increasing the number of projects it will implement over the five-year period.

Hydro-Quebec said it would be reviewing projects primarily in China, the Philippines and Latin America, where infrastructure privatisations have created new opportunities.

While Hydro-Quebec would not discuss specific initiatives, the company said it aimed to initiate 40 new projects with partners in 33 countries this year.

It gained a foothold in Peru last month when it was granted a C$180m contract to build a 700km transmission line connecting grids in the north and the south of the country. The utility has also participated in Central American infrastructure projects.

Hydro-Quebec was hit with hundreds of millions of dollars in damages after a January ice storm crippled the utility's transmission grid, leaving more than 3m Quebeckers without light and heat, some for up to three weeks.

Renault shares echo Peugeot fall

By David Owen in Paris

Renault, the French automotive group, has produced consolidated revenues of more than FFr200bn for the first time – last year they reached FFr207.9bn ($34bn), up 12.9 per cent from 1996.

The contribution of the automobile division, much the largest unit, was up 13.6 per cent, partly on the back of an improved product mix. This was mainly because of the success of the Renault Mégane, as well as the new Safrane and Espace.

However, Renault shares ended trading on Friday down FFr1 at FFr192.10, in spite of encouraging sales figures. They followed the shares of Peugeot-Citroën, the other big French carmaker, which slid as investors digested the impact of the *"opération vérité"* unveiled by Jean-Martin Folz, the new president.

Peugeot-Citroën shares ended the day down FFr20, or 2.4 per cent, at FFr828, against a small improvement in the benchmark CAC 40 index. This followed a drop of FFr14 the previous day.

The company revealed after close of trading on Thursday that it expected to report a 1997 loss of FFr2.5bn after including FFr2.8bn of one-off items and FFr1.6bn of accounting changes. Exceptional charges included a provision of FFr1.44bn relating to the abandonment of an ill-advised currency hedging exercise.

Reaction to the announcement was mixed. John Lawson, a London-based analyst with Salomon Smith Barney, described it as "restructuring for things we did not know were going wrong".

Keith Hayes, of Goldman Sachs, said he detected "not just a clearing of the decks, but a subtle change".

He said he thought Mr Folz was seeking to make the group's operating income more accurately reflect market conditions.

Michelin, the French tyre-maker, also published 1997 sales on Friday, showing an 11.8 per cent rise from year-earlier levels to FFr79.7bn.

The company's shares came under pressure earlier this week, following news that Goodyear Tire, its US rival, planned to expand.

NatWest plans to strengthen board

By George Graham, Banking Editor

National Westminster Bank plans to strengthen its board with a new set of non-executive directors, including Lord Blyth, chief executive of Boots, the retailer, when it announces annual results next Tuesday.

NatWest, which has struggled over the last year to convince investors it remained in control of its strategic direction, will make no announcement about a successor to Lord Alexander, who is expected to step down next year after 10 years as chairman.

But Lord Blyth, who will take over as executive chairman of Boots in July when Sir Michael Angus retires, is viewed favourably.

NatWest hired Whitehead Mann, executive search consultants, to find candidates after departures left its board looking thin. Lord MacLaurin, former chairman of Tesco, left after a disagreement over the supermarket group's expansion into financial services. John Melbourn, the bank's deputy chief executive and risk management specialist, has also stepped down.

Two other non-executives – Sir John Banham, chairman of Kingfisher, and Sir Desmond Pitcher, the chairman of United Utilities – are expected to leave shortly.

The discovery of problems in pricing interest rate options led to the departure of Martin Owen, who headed the group's NatWest Markets subsidiary, and a reappraisal of its investment banking strategy.

The process of selling its equities operations to Bankers Trust and Deutsche Bank proved costly, but the bank believes it has overcome most of those problems.

NatWest is expected to report pre-tax profits of between £1.0bn and £1.2bn ($1.96bn) next week, after exceptional charges including the options trading loss and a restructuring provision for NatWest Markets.

The bank may also take the opportunity to increase its general provision for bad debts as a cushion against any losses that may arise in its Asian loan portfolio.

See Lex, Page 16

ICA paid first tranche of state aid

By Henry Tricks in Mexico City

Empresas ICA, Mexico's largest construction company, has received 2.8bn pesos ($330m) in the first instalment of a government bale-out for builders of the nation's bankrupt private toll roads.

The company said it received promissory notes dated September 1 1997 covering 50 per cent of its accounts payable in three of nine toll roads eligible for the rescue.

ICA expects to receive a total of 9bn pesos from the government. Last August, the Mexican government announced it would assume 60bn pesos of debt owed by 23 of the country's private toll road operators. It would also assume ownership of the roads, that have been hit by low traffic volumes.

Construction companies such as ICA were forced to write off their equity investments in the failed projects, but the government promised to issue them bonds worth some 22bn pesos to compensate for unpaid fees owed by the road operators.

ICA investors are now concerned the company may use the money for an expensive acquisitions spree abroad.

Last month, ICA said it had bid to acquire an indirect stake in Spanish construction group Fomento de Construcciones y Contratos.

ICA's tender followed its purchase in November of 50 per cent of Argentine builder CPC for $30m. In mid-January it paid $75m for Mexico's privatised warehousing company Almacenadora Sur.

Besides the payment to ICA, the government is expected to issue toll road bonds worth some 4.5bn pesos to Tribasa and 3.5bn pesos to Grupo Mexicano de Desarrollo (GMD).

Borussia sees float value of DM350m

By Graham Bowley in Frankfurt

Borussia Dortmund, which is likely to become one of the first German soccer clubs to list its shares on a stock exchange, expects a flotation to raise as much as DM350m ($192m).

Borussia, last year's European soccer champion, is pressing ahead with preparations to float on the Frankfurt stock exchange as soon as German soccer authorities give the go-ahead.

The German Football Association (DFB) is expected to rule in favour of clubs transforming themselves into joint stock companies, a necessary precursor for a share listing, at its meeting in the autumn.

Separately the DFB was expected to meet over the weekend to discuss the implications of a controversial ruling by a German court forbidding the DFB's practice of negotiating centrally German clubs' television rights for European games.

The DFB has hit out at the court's decision, which has been backed by Brussels, since it will mean a reduction of its power in the German game as well as over fears that small clubs will lose out.

Michael Meier, Dortmund's business manager, said Borussia would float the maximum 49 per cent stake which is expected to be allowed under the DBA's new rules on share listings. He said early estimates put the value of the club at between DM500m and DM700m.

Borussia would float the stake by the beginning of the 1999-2000 season at the latest, Mr Meier said.

Bayern Munich, the German soccer champion, has also said it is fully committed to seeking a stock exchange listing as soon as the DFB agrees to the change.

At present German clubs are owned collectively by their members, most of them supporters, as part of a Verein, or sporting association. Once the German governing body has given the go-ahead, Bayern and Dortmund will transform themselves into joint stock companies so they can adopt the corporate structure of any normal German business.

But the DFB is likely to require that 51 per cent of clubs remain in the hands of the Verein.

Germany's big clubs are attempting to follow the example of foreign teams, such as Manchester United in the UK, which have successfully raised money from a listing and have developed lucrative merchandising businesses.

Borussia, which is building its merchandising activities, has increased its annual turnover to about DM150m from about DM10m just a few years ago.

Bayern has said that it wants fresh money to build a new stadium in Munich. Dortmund is already building its new DM100m stadium in a consortium with Harpen and Continental Versicherung which will double capacity to 70,000.

"We don't need money for a stadium. We need money to be powerful on the field," Mr Maier said.

INTERNATIONAL NEWS DIGEST

Metra slides to FM393.6m

Metra, the Finnish engineering group, has reported a sharp fall in profits after incurring heavy operating losses and restructuring costs in its Wärtsilä NSD diesel engines business. The company saw pre-tax profits tumble from FM927.4m in 1996 to FM393.6m ($71.1m) last year, even though sales were ahead 31 per cent to FM15.3bn.

Metra blamed the disappointing figures partly on a FM100m operating loss at Wärtsilä NSD – which was hit by delays and cost overruns on new engines. More than FM180m was spent restructuring the Wärtsilä NSD business – which was merged last year with the diesel engine operations of Fincantieri Cantieri Navali Italiani, the Italian state shipyard. Of that restructuring total, FM100m was covered by provisions.

The figures were further undermined by exchange rate losses caused by devaluations in south-east Asia and the postponement of several large power plant projects. Nevertheless, the pre-tax results were distorted by one-off charges of FM82m last year, while the 1996 profits were flattered by gains of FM278m on non-core disposals.

At the operating level, profits fell from FM1.08bn to FM696m, including contributions from associated companies. Although earnings per share fell from FM11.32 to FM5.46, the company proposed an unchanged basic dividend of FM2.75. Shareholders, however, have not been offered the FM1.50 supplementary dividend which they received last time. *Tim Burt, Stockholm*

■ PREUSSAG STAHL

State to sell 49% stake

Nearly half the shares in Preussag's steel operation will be sold on the stock market this summer following the decision by the state of Lower Saxony to buy the business to prevent its sale to a foreign company. The state, partnered by Norddeutsche Landesbank, a public sector bank, is paying DM1.06bn ($581m) for Preussag Stahl, some DM200m less than VA Stahl of Austria was prepared to pay.

The bank said 49 per cent of Preussag Stahl would be sold to German and foreign investors. The public offering will be handled by NordLB and Morgan Stanley Dean Witter, the US investment bank which beat four international competitors for the deal. Management and employees will also be offered shares.

The purchase of Preussag Stahl from the Preussag parent group was at the initiative of Gerhard Schröder, the prime minister of Lower Saxony who faces state elections next month. He is also regarded as a possible candidate of the opposition Social Democratic Party to oppose Chancellor Helmut Kohl in September's general election. Mr Schröder was concerned about possible job losses at the steel company. *Andrew Fisher, Frankfurt*

■ FOOD

ConAgra warns of lower growth

ConAgra, the big Omaha-based food group, has warned that it will miss its double-digit earnings growth target in 1997-98 because of the fall in Asian demand coupled with a cyclical upturn in US meat and poultry production.

The company also said it expected flat or slightly lower earnings in the second half of the year ending on May 31. In the first six months, the food group, which is one of the largest meat and poultry processors in the US, saw earnings per share rise 13 per cent.

"While many of our businesses are performing well, the fresh meat and poultry sector is performing far below our earlier expectations for better results this year," said Bruce Rohde, chief executive. ConAgra was "moving vigorously" to strengthen its meat and poultry businesses, he added, so it could capitalise on an eventual rebound in the sector.

ConAgra put the blame for its poor second-half prospects on the decline in Asian demand for US meat and poultry products – a widely anticipated outcome of the current economic turmoil and currency devaluations in south-east Asia. This has coincided with a period when US beef production is high, and consumer demand shaky in the wake of food safety concerns. Price competition between beef and poultry products has also been intense. *Nikki Tait, Chicago*

■ ROMANIA

DAC Air suspends flights

DAC Air, Romania's only private airline, suspended its flights at the weekend after a court ruled that Bancorex, the state bank to which DAC Air has overdue debts of $74m, could begin freezing the airline's accounts and seizing its assets.

Two DAC Air aircraft have reportedly already been detained in France. Bancorex has also asked the Bucharest Stock Exchange to suspend trading in the shares of the Hotel Intercontinental. The hotel, Bucharest's second biggest, is 47 per cent owned by General Consulting and Procurement, which owns DAC Air.

George Constantin Paunescu, head of GC&P, denounced the court's decision as "immoral, illegal and abusive". *Anatol Lieven*

■ OIL AND GAS

Mol posts 11% advance

Mol, the Hungarian oil and gas company, has reported an 11 per cent rise in net income, to Ft31bn ($148.6m). Net income excluding extraordinary items, mainly for environmental provisions, was 59 per cent higher than in 1996. Sales last year totalled Ft635bn, compared with Ft498bn, though this translates to only a 4 per cent rise in US dollar terms.

The cost-cutting programmes in refining and logistics resulted in savings of Ft11bn, a key factor in improved profitability, chief executive Zoltan Mandoki said. Performance was also helped by lower crude prices, which increased refining margins.

Natural gas sales fell 5 per cent, to 11.8bn cu m, because of the mild start to winter. Mol claimed that government pricing regulations had resulted in losses of sales of imported gas, which cost the company Ft8.5bn last year, despite a 39 per cent rise in the sale price of gas.

However, losses will be offset this year by reduced customs fees on imported oil and gas. In addition, the government has accepted a review of justifiable costs which Mol hopes will result in improved profitability in the second half of 1998. *Kester Eddy, Budapest*

■ TELECOMMUNICATIONS

Dacom and News Corp in venture

Dacom, the South Korean telecoms group, plans to establish a joint venture next month with News Corporation, the media conglomerate controlled by Rupert Murdoch, to provide digital satellite broadcasting to the domestic market. After holding talks with Mr Murdoch in Seoul, Dacom said the joint venture would go into operation next year. Other Korean companies are expected to participate as minority shareholders.

Financial terms of the venture, which would be conducted through Dacom's Satellite Multi-media System (DSM) subsidiary, were not available. Dacom established DSM last July with capital of Won4bn ($2.5m) and it is scheduled to launch a satellite with 80 channels in October. *John Burton, Seoul*

UK, French utilities in Indonesia venture

By Sander Thoenes in Jakarta

Thames Water International of the UK and Suez Lyonnaise des Eaux of France, the water management companies, have taken over the water utility of Indonesia's capital. They face the challenge of upgrading water pipes and making the water fit to drink.

The two have set up joint ventures: Thames has teamed up with a son of President Suharto and Suez with Salim Group. They have jointly pledged to invest Rp1,500bn ($159.6m). Thames said it had put up £13m ($21.3m) for its 80 per cent of the venture. It failed to raise financing in advance, but hopes to borrow $80m for the first five years of the 25-year contract.

But the collapse of the rupiah has forced both companies to re-evaluate the size of their commitments and widespread defaults have ruined credit ratings for projects in Indonesia.

Thames has to lay 1,100km of new pipelines in the first five years and replace some 200km more. It has also to raise the amount of water supply from 98m cu m a year to 168m cu m and add 1.5m customers to the current 2m.

They also have to make the water fit to drink within five years and ensure it meets western drinking water standards in another five. Water quality is a key concern in Jakarta, a city of more than 12m people. "So many people rely on wells," said John Hurcom, vice president for the Thames venture. "The wells are running dry and getting polluted."

Most people still use cesspits or rivers for sewerage, and bacteria run wild. The two companies have to halve the amount of nitrate and bacteria in water and cut the iron content to a fifth of current levels within five years.

The city still sets the tariffs but both Thames and Suez will each year negotiate their returns per cubic metre, which depend only on the amount of water delivered and billed by them, not on the government tariff.

This should leave the two relatively secured against pressure to subsidise their operations, Mr Hurcom said. If the city objects to cutting off non-paying customers it has to compensate Thames or Suez.

An important challenge will be to reduce the gap of 50 per cent between the amount of water that leaves the treatment plants and the amount that is paid for, to below 35 per cent in five years. Leaks can be solved with new pipelines, but widespread under-metering and illegal tapping of the water pipes will pose another challenge.

Mr Hurcom says he plans to divide neighbourhoods into blocks which have only one pipeline going in, "so we know what is disappearing where. Then the hunt starts".

Hollywood turns focus on Europe

The continent's booming cinema industry has become a magnet to US studios

The screen sensation of its age: Brigitte Helm stars in the Fritz Lang movie, Metropolis, shot at Potsdam in the 1920s

Ever since the 1920s, when Fritz Lang shot *Metropolis* and Josef Von Sternberg directed Marlene Dietrich there, the Babelsberg production studio in Potsdam has been an icon of German cinema.

Last week, Sony, the Japanese industrial group, unveiled proposals for its Hollywood movie studio to invest in Babelsberg and to produce a slate of German-language films.

A few days earlier, Canal Plus, the French media group, announced plans to jointly finance 20 films over five years with Warner Bros of the US. And Phoenix, one of Hollywood's larger independent producers, struck a similar agreement for nine pictures with Nova, the German producer.

Other US studios are keen to forge closer links with Europe, notably Universal, Paramount and 20th Century Fox, which hope to invest in UK production companies, as Walt Disney's Miramax subsidiary did last year.

The reason for Hollywood's new-found enthusiasm for Europe is simple. After decades of decline from the late 1950s, the European cinema market has expanded steadily since the early 1990s, and is set for robust growth in the future.

More than 1,000 new screens have opened in Europe since 1990, mostly in newly-built multiplex complexes, according to Dodona, a specialist research consultancy. Ticket sales in the region have soared by more than 20 per cent to 765m in 1996.

Dodona expects greater gains for the rest of the decade. At least 2,300 new screens are forecast to open in Europe by 2000, bringing the total to 22,338. Nearly 700 of the new screens will be in the UK, 400 in Germany and 360 in France.

At a time when the North American cinema business is approaching saturation, because so many multiplexes and megaplexes have already been built, Europe looks particularly attractive to Hollywood, especially when Asia is so unstable.

European hit films can also be highly profitable, because ticket prices tend to be higher than in the US, and marketing costs are lower.

Hollywood blockbusters are already benefiting from Europe's cinema revival. *Titanic* took an unprecedented $70m in cinemas outside the US last week alone. It earned more than $25m in its first fortnight on screen in the UK, and a similar sum over three weeks in Italy.

Yet many of last year's biggest European hits were local films. *The Full Monty*, *Cyclone*, and *Air Bag* were the highest grossers of the year in the UK, Italy and Spain respectively, beating US blockbusters such as Sony's *Men In Black* and Universal's *The Lost World*.

France and Germany also produced local successes, and European productions flourished worldwide. Both *The Fifth Element*, backed by France's Gaumont group, and *Bean*, produced by PolyGram of the Netherlands, earned more than $200m at the global box office.

"One thing you can be sure Hollywood took notice of is that *Bean* was the first film ever to gross over $100m before opening in the States," said Tim Bevan, executive producer.

European producers are ploughing the profits from these hits into more local pictures and, increasingly, into expanding their Hollywood interests.

PolyGram, which has already spent $1.2bn on establishing a US-based film subsidiary, announced plans on Friday to invest in a new production company run by Ivan Reitman, the *Ghostbusters* director, and Tom Pollock, a former Universal executive.

Encouraged by its success with *The Fifth Element*, Gaumont plans to make more English-language films, as does Canal Plus after last week's Warner accord.

The flow of investment from Hollywood is even greater, as US studios try to create their own European hits like Fox did by backing *The Full Monty*.

Cynics warn that Hollywood's enthusiasm could fade after a couple of Euro flops, and that US investors may not give their new European production partners the creative freedom they once promised.

Over in Hollywood, a more immediate concern for three large studios – Universal, Paramount and MGM/UA – is whether the European Commission will implement its threat to break up United International Pictures, their joint distribution venture.

If so, the three US studios will have to establish new, probably costlier distribution operations in Europe, thereby raising the risk of depressing profits in one of their most dynamic markets.

Alice Rawsthorn

PolyGram to expand its film interests

By Alice Rawsthorn

PolyGram is expanding its film interests by investing in a new production company founded by Ivan Reitman, the *Ghostbusters* director, and Tom Pollock, a former senior executive of Universal, one of the largest US movie studios.

The investment in the new company, which has yet to be named but is expected to produce up to five movies a year, is the latest step in PolyGram's strategy of trying to establish the first Europe-owned rival to the the Hollywood studios.

Over seven years, PolyGram, a unit of Philips, the Dutch consumer electronics group, has ploughed more than $1bn of the profits from its record companies – which include U2, Hanson, All Saints and Pulp among their acts – into establishing a Los Angeles-based film and television company.

It has produced several box office hits, including *Bean*, *Fargo* and *Trainspotting*, as well as setting up an international distribution network and clinching production deals with directors including Ridley and Tony Scott.

However, PolyGram's film division is still in the red. Its net sales increased by 16 per cent to Fl 1.79bn ($871m) in 1997, but the operating loss rose from Fl 35m to Fl 109m because of the cost of establishing a US film distribution network.

Alain Lévy, PolyGram chairman, expects the film division to break even in 1999, when the first films made under its latest round of production deals with directors like the Scotts are released.

The new venture with Mr Reitman and Mr Pollock is intended to provide PolyGram with a supply of mainstream movies to complement crossover critical hits such as *Fargo*.

INTERNATIONAL NEWS DIGEST

Write-downs hit Swedish bank

FöreningsSparbanken, one of Sweden's largest banks, has blamed reduced full-year profits on heavy write-downs and restructuring costs associated with last year's merger of Swedbank and Foreningsbanken. The bank, reporting maiden full-year figures for the enlarged group, saw operating income fall from SKr6.28bn to SKr2.4bn ($296m) following write-downs of SKr2.89bn and "change-over costs" of SKr1.24bn.

Officials said the write-downs related mainly to revaluations of property, loan receivables and assets earmarked for sale. They said the restructuring costs would cover redundancies among the 12,500-strong workforce, of which 1,400 had already accepted offers of early retirement. The one-off costs helped cut earnings per share sharply from SKr13.40 to SKr1.07. Excluding exceptionals, net interest income fell from SKr13.9bn to SKr12.8bn following reduced returns on financial assets, lower deposit volumes and pressure on both deposit and lending margins.

Net income from financial operations, meanwhile, fell from SKr1.36bn to SKr930m, although commission income jumped 26 per cent to SKr4.23bn. Reinhold Geijer, chief executive, said the results reflected "a year of transition", and expressed satisfaction at the progress of the merger. "It is gratifying to see that we have strengthened our market position in several important areas during the process." Shares in the bank rose SKr6.50 to SKr200 on Friday.

Tim Burt, Stockholm

■ PIPELINE TECHNOLOGY

LGC in fresh expansion move

LGC, the privatised laboratory specialising in chemical and DNA-based analysis and consultancy, has made another acquisition – Pipeline Developments Limited (PDL) – following that of University Diagnostics Limited (UDL) last year.

The deal, the financial terms of which are not being disclosed, means LGC "is well set on its path of ambitious plans for growth", said Richard Worswick, LGC chief executive. LGC was subject to a management buy-out backed by venture capitalist 3i in April 1996. Its annual turnover is £16.5m ($27m); that of PDL is about £1.2m.

PDL is a development springing from the Metropolitan University of Manchester. It specialises in water pipeline technology and, according to Mr Worswick, "is well placed to take advantage of the anticipated building of 2.5m new houses in the next decade on so-called brownfield sites, or areas of reclaimed contaminated land". Mr Worswick said there were no immediate plans for a flotation of the company.

Gary Mead

■ ENGINEERING

Technip posts 17.4% advance

Technip, the French engineering group, continued to make progress last year, in spite of what it described as "a difficult environment". The company reported a 17.4 per cent rise from FFr534m to FFr627m ($102.5m) in annual net earnings on turnover ahead 17 per cent to FFr11.9bn. It said the figures incorporated a rise in 1997 taxation and were achieved without any impact from fluctuations in Asian currencies or the US dollar "as a result of the group's continuing prudent foreign exchange management". The proportion of turnover derived from Asia nonetheless fell from 16 per cent to 11 per cent. This was offset by improved contributions from western Europe and Africa. Fully-diluted earnings per share rose from FFr31.80 to FFr36.70.

David Owen, Paris

■ STEEL

US mini-mill operators to merge

Rationalisation in the US steel industry continued on Friday when Louisiana-based Bayou Steel announced plans to merge with Northwestern Steel and Wire Company. Both companies are relatively small mini-mill operators, with Bayou reporting sales last year of $232m, and Northwestern making $641m.

Bayou's mini-mill at LaPlace makes light structural steel products, while Northwestern – whose operations are concentrated in Illinois and Kentucky – turns out structural steel components. Under the merger terms, Northwestern shareholders would receive a mixture of cash and Bayou shares.

Nikki Tait, Chicago

Andersen spat ends up in US federal court

By Jim Kelly, Accountancy Correspondent

The dispute between Arthur Andersen and its sister firm Andersen Consulting moved to a US federal court in New York at the weekend in the latest twist in an increasingly bitter divorce.

The firm's dispute, over governance, competition, and cross-subsidies, is already being put to a court of arbitration in Paris under the auspices of the International Chamber of Commerce.

But AC alleged in court on Friday that the board of Andersen Worldwide – the umbrella organisation linking the two businesses – had tried to pre-empt arbitrators by passing a "sham" resolution on Thursday during a scheduled meeting.

AC said the board – which has an in-built Arthur Andersen majority – had tried to give judgment in the dispute by passing a resolution stating that AC was in breach of partnership agreements. AC said the resolution tried to rule on the merits of its case before the arbitrators. If implemented it said the resolution would "hijack" the government mechanisms of Andersen Worldwide and nullify AC's right to seek arbitration.

The AC suit alleges that that the resolution would set up an "Andersen Worldwide Protection Committee" which would exclude AC partners and interfere with the arbitration process.

AC went to court on Friday to get a judge to place a temporary restraining order and a permanent injunction on the board implementing the resolution. It is understood that Bob Grafton – the man drafted in to head the board and find a solution to the problems – did not support the resolution.

The troubles spring from "turf wars" between the firms in the management consultancy markets. AC alleges AA has been building up its own consulting business to compete with its own sister firm. As a result AC wants arbitrators to end all contractual links between the two firms and to end the payment of cross-subsidies. It also wants $400m of former payment returned.

AA has yet to submit a counter claim but it is understood it will allege that AC has failed to keep partnership agreements which required it to service AA's audit clients with management consulting services.

Yesterday, it seemed the court moves were unlikely to derail the process of arbitration in Paris. Bob Hubble, of Andersen Worldwide, said: "It is certainly our expectation that it is continuing and ultimately will be brought to a resolution."

However, many observers believe the issue will be solved out of court in order to end a dispute which is seen as damaging to Andersen's brand image and business. The federal court made no decision public and is likely to reconvene within two weeks.

Go-ahead for UEM buy

By Sheila McNulty in Kuala Lumpur

Shareholders at UEM have approved the Malaysian toll-road operator's controversial purchase of a 32.6 per cent stake in its parent, Renong.

The vote has sealed what analysts say is the country's first large corporate rescue to emerge from the regional downturn.

The government agreed several months ago to allow UEM to make the purchase without having to buy out remaining shareholders as required by regulations.

The move was seen as a state-sanctioned bail-out that favoured Renong, freeing cash to allow it to continue with key projects at the expense of minority shareholders in UEM.

Renong is an important infrastructure company that is in effect controlled by the United Malays National Organisation, the party of Mahathir Mohamad, the prime minister.

Analysts expect more such corporate restructurings as the authorities use their leverage over business to direct companies to help one another get through the turbulence.

The government has already called for financial institutions to merge, indicating, according to economists, that it is following the Japanese model of saving even the most poorly managed companies.

Economists worry this process of forcing the strong to absorb the weak will burden some of the nation's better institutions and prolong a recovery.

UEM took short-term loans to fund the M$2.3bn (US$599m) purchase and is now seeking to lighten the load by refinancing to long-term borrowings and selling some of its holdings.

"We are looking at ways to raise funding," said Ramli Mohamad, UEM managing director.

Mr Ramli denied that the deal was a Renong rescue, but called it a sound commercial decision.

Even when discounting Renong's vote, he said, 74 per cent of the remaining shareholders approved the purchase.

Renong was last reported to hold 37.1 per cent of UEM. Analysts expected the measure to pass given that those who objected most to the purchase had already sold their stakes in the company.

Therexsys swallows Cobra

By Clive Cookson, Science Editor

Therexsys, the first UK biotechnology company to specialise in gene therapy, is to adopt a new identity intended to give it more bite after five years of disappointing progress.

Following an EGM on Wednesday, Therexsys will be known as Cobra Therapeutics, after swallowing the technology, directors and name of Cobra Biosciences, a company formed last year to commercialise research at Birmingham University's Institute for Cancer Studies.

Therexsys is making a small cash payment and issuing shares and options worth 8 per cent of its total share capital to Cobra's founders. On the basis of the private share placement in 1996, when Therexsys raised £22.5m ($36.8m) from financial institutions, the transaction would be worth about £4m.

Therexsys then expected to begin testing its main anti-cancer product on patients and to float during 1997. But technical problems have delayed both clinical trials and flotation; they are now expected in 1999.

"The science has proved more difficult than anyone expected, not only for Therexsys but for other gene therapy companies too," said David Gibbons, chairman. Gene therapy involves treating disease by transferring new genes (DNA) into patients.

Therexsys developed a complex procedure to deliver genes to patients' cells and then switch them on to make useful proteins. This worked well in initial laboratory tests but not in animals.

Cobra offers a different route, using adenoviruses to deliver the genes, which is both simpler and potentially more effective than Therexsys' technique.

The company plans to use Cobra's viral technology to deliver the gene for an enzyme that activates an anti-cancer drug in tumours.

Therexsys employs 57 scientists at Keele science park in Staffordshire.

David Bloxham, chief executive, said there were 40 to 50 companies worldwide specialising in gene therapy. Aim-listed Oxford Biomedica is the other prominent UK gene therapy company.

FINANCIAL TIMES MARKETS THIS WEEK

Global Investor / Peter Martin

Losing transcendent purpose

The wave of demutualisations which has spread across the English-speaking world claimed its most prominent convert last week, in the shape of Prudential Insurance of the US.

From an investor's point of view, the formerly mutual savings banks and insurers provide tempting additions to the range of potential holdings. They also illuminate the way in which the behaviour of large institutions is changing, regardless of ownership.

The essence of a demutualisation, after all, is a rupture in the implicit contract which created the institution in the first place. When people came together to form mutual retailers, savings banks and insurance companies in the 19th century, they did so from more than purely commercial motives. In their minds was the creation of socially-owned institutions which would have a purpose over and above the mere provision of competitively priced services.

The pioneers were seeking to build a monument which would outlast them. Its daily practices would be mundane and commercial; but its objective was transcendent. Their successors honoured this set of beliefs. Now, a single generation – the baby-boomers, as perhaps one might have guessed – has cashed in the capital created by their parents and grandparents.

Well, perhaps that is no more than sentimental tosh. It certainly cannot be said to have preyed on the minds of the investors who have snapped up shares in newly demutualised institutions. More relevant to them, however, is the underlying shift of mood that this rupture with the past represents: a more ruthless "what have you done for me lately?" view of the purpose of collective economic activity.

This is widely shared, among shareholder-owned companies as well as in mutuals. It is, indeed, the *reductio ad absurdam* of the principle of shareholder value, to which it is now fashionable for companies to subscribe regardless of their place of origin and historical traditions. Companies which were founded as expressions of technical or national pride increasingly see themselves as vehicles for maximising the net present value in shareholders' hands. Mutuals cannot join in this game because they do not have clearly identifiable shareholders, as distinct from customers.

But identifying an appropriate ownership structure is only a first step along the road to higher returns. As a recent study by PA Consulting* points out, even embracing shareholder value as a key objective only takes you a few stumbling paces further. The real gains, the study says, come from translating shareholder-value principles into detailed processes, and then turning those processes into actions. These include such practices as shrinking businesses that do not achieve a sufficient return on their capital, or adopting an appropriate "cost of equity" hurdle rate for new investments.

One specific set of actions is getting the structure of executive pay right. As the chart shows, the study argues that paying relatively low management salaries results in better total shareholder return than paying relatively high ones. "Even more important," the study says, "paying high and variable bonuses, preferably linked to the creation of shareholder value in an individual's business, has an even greater positive impact."

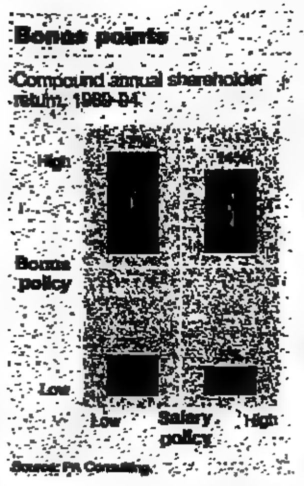
The broader lesson, for owners of publicly quoted companies and mutual enterprises alike, is that the key to success lies in a detailed commitment to raising the economic value of the institution. If mutual institutions have, over the years, lost sight of that goal, then a change of ownership structure may well be a useful way of rediscovering it.

But demutualisation does not instantly create a widespread internal commitment to the detailed practices required. In the same way, mouthing the phrases of shareholder value may not actually lead to corporate transformation. Indeed, a merely superficial conversion to shareholder value may contribute little from the investor's point of view – and perhaps in the long term prove damaging. This will be particularly true if the new rhetoric replaces an older vision of the company as an entity with a transcendent purpose – without actually delivering the day to day changes required to enhance shareholder value in practice. Investors might remember that this lesson is as relevant to public companies seeking renewal as it is to mutuals.

**Managing for Shareholder Value. Copies available from Linda Pearse, PA Consulting, 123 Buckingham Palace Road, London SW1W 9SR.*

Bonus points

Compound annual shareholder return, 1989-94



Source: PA Consulting

Total return in local currency to 12/02/98

	% change over period					
	US	Japan	Germany	France	Italy	UK
Cash						
Week	0.11	0.01	0.07	0.07	0.12	0.14
Month	0.47	0.05	0.29	0.29	0.51	0.62
12 months	5.81	0.57	3.19	3.31	6.69	6.75
Bonds 3-5 year						
Week	0.05	0.18	0.38	0.45	0.32	0.41
Month	-0.13	-0.59	0.60	0.57	0.38	0.69
12 months	8.77	2.63	4.90	4.83	12.06	11.19
Bonds 7-10 year						
Week	0.32	0.27	1.32	0.88	1.05	0.95
Month	-0.54	-0.91	1.13	0.75	0.68	0.67
12 months	11.35	6.97	11.08	9.22	22.73	31.04
Equities						
Week	2.1	1.6	-0.3	-0.2	0.8	-0.7
Month	9.4	14.8	11.0	10.2	9.6	9.1
12 months	30.4	-2.1	36.9	24.0	60.1	30.2

Source: Cash & Bonds - Lehman Brothers. Equities-© FT/Extel Index Unit. The FT/S&P Actuaries World Indices are jointly owned by FT-SE International Limited, Goldman Sachs & Co., and Standard & Poor's.

COMPANIES DIARY

Telecoms advance expected at Mannesmann

Mannesmann, the German conglomerate, is expected to disclose 1997 pre-tax profits before extraordinary items of DM1.41bn- DM1.54bn ($780m-$850m) when it reports provisional results on Thursday, against DM1.01bn in 1996. It is expected to show solid growth in telecommunications and a turnaround in its cyclical operations. Analysts predict earnings per share will rise to up to DM28 (DM22), paving the way for a hike in the dividend to DM10 (DM9).

Despite higher start-up losses, telecoms will be the main contributor to group earnings once again. But a turnaround in the cyclical activities – tubes, trading and engineering – will have had a favourable impact on results. In 1996 telecoms generated DM947m of the pre-tax profit before extraordinaries of DM1.01bn.

● THE SPANISH power group, **Empresa Nacional de Electricidad**, is expected to report 1997 net profit after minorities of Pta163.200bn-Pta164.700bn ($1.08bn-$1.09bn) down from Pta165.088bn a year earlier.

Analysts said the group's performance in the fourth quarter would reflect the continued negative impact of the 3 per cent reduction in electricity tariffs and higher depreciation charges related to Endesa's revaluation of assets.

Analysts' forecasts ranged from Pta163.2bn at Société Générale to Pta164.7bn at Credit Suisse First Boston.

● DRESDNER BANK is expected to announce an operating profit of DM2.9bn-DM3.15bn ($1.62bn-$1.76bn) when it discloses provisional 1997 results tomorrow, up from DM2.866bn a year earlier. Net profit is expected to total DM1.8bn-DM2.32bn (DM1.58bn).

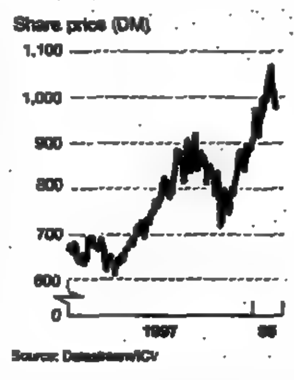
Stefan Blanke, analyst at Bank in Liechtenstein, is forecasting a net profit of DM2.2bn and an operating profit of DM3.15bn.

● DEUTSCHE BANK, meanwhile, is expected to announce a full-year 1997 net profit of DM950m-DM1.1bn on Wednesday, down from DM2.1bn as a result of extensive provisions made for restructuring and risks.

The group has already said that full-year operating profit will fall by about a third from DM5.8bn a year earlier, because of DM2.5bn in provisions for a three-year restructuring programme, and additional fourthquarter provisions of DM1.4bn for its Asian exposure.

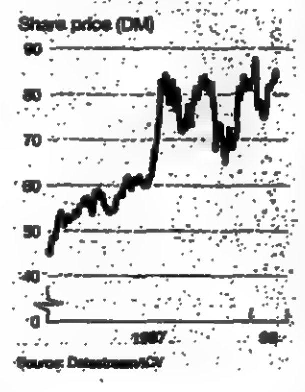
Analysts are expecting Deutsche Bank to report an operating profit of DM3.67bn-DM4bn, down from DM5.8bn in 1996.

Mannesmann



Source: Datastream/ICV

Dresdner Bank



Source: Datastream/ICV

● CLARIANT, the Swiss speciality chemicals company, is expected to report on Thursday 1997 sales of SFr10bn-SFr10.04bn ($6.80-$6.9bn) against a pro-forma SFr8.902bn a year earlier, analysts said. The 1996 figure is pro forma as 1997 was the first year Clariant included the sales of Hoechst's divested speciality chemicals businesses which it took over.

TODAY sees the start of the heavyweight season in the UK, with 18 FTSE companies reporting in the next fortnight. These announcements are dominated by the sectors which have consistently taken the market higher in the past year: pharmaceuticals and banks.

● TOMORROW, all eyes will be on SmithKline Beecham's annual results for clues to the shape of the merger it is negotiating with Glaxo Wellcome. Analysts expect SmithKline's sales to be roughly level at £7.9bn, held back by the strength of sterling and a change in accounting practices at a drug distribution subsidiary, DPS. That would take pre-tax profits to £1.65bn from £1.55bn, with earnings per share at just over 20p (19p).

● BARCLAYS' 1997 results will be clouded by the £688m cost of exiting equities – much worse than expected because of a messy sales process and severe losses at the businesses now passing to Credit Suisse First Boston. That will depress pre-tax profits to £1.8bn-£1.85bn. First Call, the research organisation, sees the underlying consensus profit figure coming in at £2.57bn, and 1998 forecasts are expected to be almost unchanged at £2.6bn to £2.7bn.

● WOOLWICH on Wednesday will report its first figures since last summer's £5bn market debut. Analysts will be keen to hear of any acquisition plans – or whether it intends to hand back some of its £800m surplus capital to shareholders. Profits are forecast by First Call at £405m, with a dividend of 8.95p.

● GLAXO WELLCOME's results on Thursday will be important for fine-tuning the relative company values in its proposed merger with SmithKline Beecham. Sales and profits will be hit by the strength of sterling and the expiry last summer of patents protecting Zantac.

Nevertheless, sales should comfortably beat £8bn (£8.3bn). Pre-tax profits should remain above £3.7bn, with earnings per share of about 53p.

● BRITISH AEROSPACE is expected the same day to report pre-tax profits before exceptional items of £600m (£456m). Easily the biggest exceptional will be a previously announced £350m provision for the cost of ceasing production of the Jetstream 41 turboprop aircraft.

CONTRACTS & TENDERS

INTERNATIONAL EQUITIES

The age of the convertible bond

This could be the year of the convertible bond. Some of the biggest deals in recent months have been in the sector, and last week saw the largest convertible offering ever – Bell Atlantic's $2.4bn (£1.43bn) issue exchangeable into its 25 per cent stake in Telecom Corporation of New Zealand.

Bell Atlantic has owned a stake in TCNZ since the latter was privatised in the early 1990s. Ameritech, another US telephone group, has a stake of similar size. Both said late last year they may sell. However, Bell is prevented, under the terms of its merger with Nynex, from disposing of its TCNZ stake until after September 1, 1999. The bond will be convertible after that date at Bell Atlantic's discretion.

Bankers say one of the key reasons why Bell Atlantic chose the convertible route is its tax advantages. While the company gets its money up front, it will not have to pay tax until after holders of the new bond convert their shares. It has also secured a 20 per cent conversion premium to the closing price of NZ$7.98 per TCNZ share on February 12, which may look even more attractive in 18 months if equity markets turn down in the meantime.

The volume of convertible bond issuance has been rising steadily, from $30bn in 1995 to $45bn in 1996 and $57bn last year.

Antoine Schwartz, co-head of European equity capital markets at Goldman Sachs, believes there are three main reasons for the rise: convertibles have become a separate asset class with dedicated buyers; demand, in Europe at least, is greater than supply; and high equity markets and low interest rates provide an ideal issuing background.

"It would seem that 1998 is kicking off in the same way. The macroeconomic conditions are still there for the convertible market to continue to grow," he says.

SBC Warburg Dillon Read, which scooped its global rivals to lead the Bell Atlantic deal, said demand for the bond was particularly strong in the US, UK and Switzerland – historically the main markets into which convertibles have been sold – and in Australia, where TCNZ is closely followed, and where the bond was sold as the Australian equivalent of ADRs which are listed, traded and settled there.

Warburg has captured some high-profile convertible issues recently. It led the DM2bn (£600m) issue by Allianz last month that is exchangeable into part of the German insurer's stake in Deutsche Bank. That is exactly the kind of deal that bankers expect to see more of as European companies restructure and unwind cross-shareholdings.

"A convertible is a very clever way for a seller to exit a strategic stake – it has attractions that make it an alternative to a block trade," one banker says. Indeed, a combined equity and convertible offering is also possible, as the Italian government proved last year when it disposed of a stake in Banca di Roma.

So convertibles are good for sellers, offering a premium up front, substantial tax deferrals, and speed of execution.

For buyers, they can be difficult to value, containing debt, equity and interest rate components. But the emergence of dedicated convertible investors in Europe should see a balance emerge between straight equity offerings and convertibles, as is the case in the US.

That is good news for European companies looking to divest non-core assets.

If the favourable environment continues, there should be more convertibles to come.

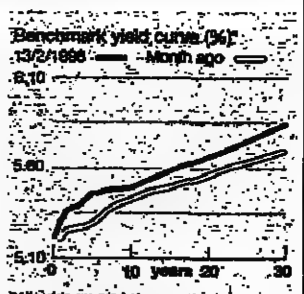
MARKETS: This Week

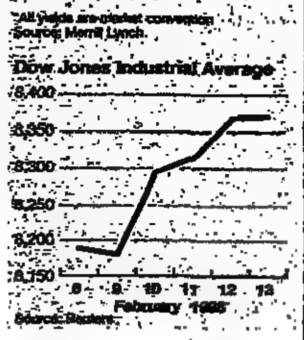
NEW YORK By John Authers

US securities dealers appeared to decide last week that the worst of the Asian financial crisis was over. Equity prices rallied on the improved sentiment, with the Dow Jones Industrial Average setting its first new high since August last year, breaking the 8,300 barrier and ending the week at 8,370.1, an increase of 172 points for the week.

The new orthodoxy – with which several commentators strongly disagree – is that last year's drastic devaluations in Asia will not lead to economic collapse in the region, but will keep a lid on US inflation without undermining expansion. This scenario would be as good for bonds as it is for equities, and the US treasury market continued in strong health last week. The yield on the benchmark 30-year bond fell from 5.94 to 5.85 per cent during the week.

In a week shortened by today's Presidents' Day holiday, the market will receive a slower stream of corporate results, with 81 per cent of S&P 500 companies having already reported their 1997 figures. However, it will see the start of the reporting season for retailers, a sector which can provide clues on the danger of a rise in inflation. Dell Computer and Hewlett-Packard, will also report.





Wednesday's producer price index for January is predicted to show a fall of 0.2 per cent, according to a poll of analysts by Standard & Poor's MMS, the research organisation.

Trade figures now seem more important than they once did as the market attempts to assess the impact of events in Asia, so Thursday's trade figures for December, expected to show a $9.5bn deficit, could also move the market.

LONDON By Philip Coggan

After the Bank of England's quarterly inflation report suggested that a further rise in interest rates might be needed, the week's economic data will be the focus of attention.

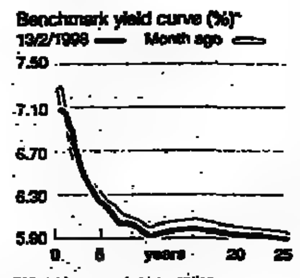
Retail sales have been something of a puzzle lately, with British Retail Consortium surveys being fairly positive, individual company reports distinctly mixed, and official data very subdued.

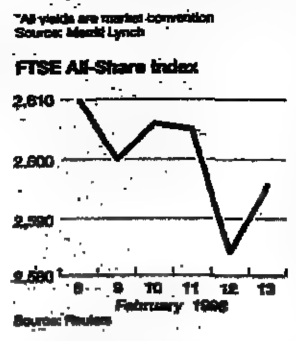
December sales showed a 0.1 per cent month-on-month drop, although that figure is only calculated after an enormous seasonal adjustment. January data, out on Wednesday, are expected to show a 0.9 per cent rise.

The Bank may also keep an eye on money-supply figures, out on Thursday; M4 growth still looks rather rapid at 10 per cent plus.

The rise in the UK stock market ran out of steam last week, in part because of interest-rate fears. But investors were also disappointed that the many takeover rumours that had been circulating in the market failed to turn into actual offers.

If the market is to push ahead into new ground, it may need another billion pound deal.





Figures from BP and Shell, issued last week, were below par and investors will be watching closely a set of releases from corporate giants such as Barclays, British Aerospace, Rank and Woolwich.

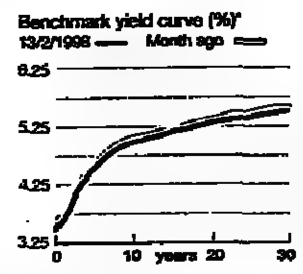
IBES figures show that UK corporate earnings are still expected to grow by 11 per cent in 1998. But the strength of the pound, and the potential effect of the Asian crisis on exporters, remain a worry for some analysts.

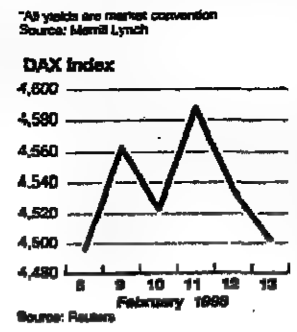
FRANKFURT By Andrew Fisher

The German stock market has pushed to new record levels recently but the Dax blue chip index was unable to push determinedly past the 4,600 level last week. It closed on Friday at 4,522.42, up 13.05 points on the day.

Although investors seem to have largely shrugged off the Asian financial crisis, there is still concern about its eventual impact on western economies and over the willingness of some countries – notably Indonesia – to take the unpleasant political and economic medicine required. Also overhanging the market is the possibility of military action against Iraq and the likely consequences for relations between the US *and Russia.*

Thus the market is expected to remain fairly volatile at a high level. Dresdner Bank, which says it has been less affected by the Asian crisis, will this week report preliminary results, while Deutsche Bank is expected to part the curtains a little wider on its 1997 performance. Bayerische Vereinsbank and Bayerische Hypotheken- und Wechsel-Bank will also announce figures for last year, along with more details of their merger. Mannesmann, Deutsche Babcock, Deutz and Philipp Holzmann are also due to release data.





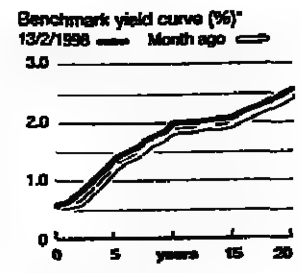
On the broader economic front, trade figures for December are likely to show a narrowing of the surplus of exports over imports to about DM10.5bn from the previous month's DM13.1bn, according to UBS Global Research. Money supply figures for January are also due, but they are unlikely to prompt the Bundesbank to make any changes in interest rate policy at *Thursday's council meeting.*

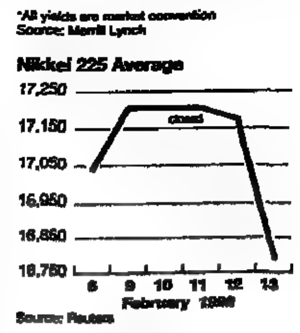
TOKYO By Paul Abrahams

All attention this week will be on Friday's economic package. This will not include specific additional spending proposals, because a supplementary budget cannot be proposed while the original budget is still going through Parliament. Nevertheless, it should give a pointer to what the ruling Liberal Democratic Party has in mind to boost the economy. Hints so far have helped keep equity markets buoyant, although on Friday the Nikkei 225 index fell 2.24 per cent to 16,791.

Likely measures include a proposal to ease the regulations on so-called special purpose corporations. These are companies that can invest in real estate *property, including bad* assets belonging to the banks. This should help the property sector, and Japan's banks which are burdened with property-related bad debts. A further measure expected to be announced is that companies and banks should be able to revalue their property holdings at market value, and use 45 per cent of unrealised gains as Tier two capital.

Other measures are likely to include the introduction of a UK-style private finance initiative; greater government lending to small *companies in an effort to* ease the credit crunch; and an easing of restrictions on share buy-backs.





The only important data due are January's money supply figures on Thursday and the trade balance on Friday. The consensus money supply forecast is a lacklustre 3.8 per cent year-on-year increase, underlining the poor state of domestic demand. The consensus forecast for January's trade surplus is a record Y244bn, against a Y400m [sic] surplus in 1997.

COMMODITIES By Maggie Urry

Proposals for tobacco spark controversy

Today's meeting of farm ministers in Brussels, which continues tomorrow, will discuss reform of the tobacco regime. The Commission has put forward a proposal intended to persuade growers to shift production to higher-quality tobacco, and also to allow growers to sell their quotas enabling them to leave the industry.

The proposals have sparked some controversy, given the EU's attitude to tobacco advertising, and the well-known health risks. However, the reform is expected to gain the support of member states where production is concentrated. They are concerned about the potential loss of jobs in rural areas.

Italy is the largest producer, with 40 per cent of EU tobacco, with Greece close behind growing 36 per cent. Spain, with 13 per cent, and France on 8 per cent, are other significant producers.

In the 1997-98 year, the sector will receive EU subsidies totalling Ecu 995m. The reform would not immediately reduce the subsidies being paid, although in the longer term if producers sell back quota which is then cancelled, there should ultimately be a saving on production aid.

The UK and Sweden, while opposed in principle to subsidising tobacco production, believe the proposal is a first step towards greater reform.

The proposal suggests making between 35 and 45 per cent of the subsidies variable according to the quality of the product. Further, there would be a doubling of the amount clawed back from producers to fund research into tobacco and into alternative sources of income for tobacco growers.

As well as a proposal to buy back quota, the reforms envisage the development of a more flexible system of trading quota and auctioning growing contracts.

Other items on the agenda include the annual debate over fixing agricultural support prices. The proposal is to keep prices largely unchanged in 1998-99.

CURRENCIES By Simon Kuper

Japan set to present economic stimulus

The yen is likely to be the busiest currency of the week. On Friday, Japan is expected to present some kind of economic stimulus package.

The following day the Group of Seven industrialised nations meet in London, and the yen may figure on their agenda too.

The Japanese currency, which began 1998 strongly, fell towards the end of last week on signs that the stimulus package may be smaller than previously expected.

Tokyo officials have been making noises suggesting that the main stimulus to the stagnant economy will come after the end of the fiscal year, possibly in April.

The market now expects Friday to produce a rather modest set of measures, mostly aimed at deregulating the economy.

The yen, which rose to Y122.5 against the dollar at one point last week, finished down at Y125.4. At that level, the package would have to be minuscule to disappoint the market.

Deutsche Bank is predicting a package worth about Y10,000bn in stimulus measures. If that forecast proves correct, the yen could bounce high.

Yen traders usually approach G7 meetings on tenterhooks, wondering whether the US and Japan will agree to talk up the yen in order to reduce the enormous Japanese trade surplus. The US December trade data, due out on Thursday, could heighten this prospect.

But Hans Tietmeyer, Bundesbank president, hinted last week that the London meeting may offer the yen little solace. He said he did not know whether the G7 would even discuss currencies.

Even so, the market is likely to be reluctant to sell yen ahead of the two big days at the end of the week. That is bad news for the dollar, which might otherwise have expected a boost from data out just before then.

Market analysts think the US economy will retain its low-inflation, high-growth magic into 1998. They expect US industrial production data for January to emerge strongly on Tuesday, and producer prices for the same month to show a drop on Wednesday.

If these figures do indeed impress, then the dollar could benefit against the D-Mark if not the yen, particularly if the German Ifo survey of business sentiment for January emerges as weak as expected on Wednesday.

OTHER MARKETS Compiled by Jeffrey Brown

HONG KONG

The profit-takers were out in some force in Hong Kong at the end of last week and brokers expect trading to stay choppy. Regional worries and anecdotal evidence of a slowing local economy continue to undermine confidence.

Having hit a two-month peak at the start of the week, with the Hang Seng index up more than 20 per cent in a month and China shares even more buoyant, the market closed on Friday with a five-day net decline of 2 per cent. There was a regional bias to the selling, with currency weakness reasserting itself and a number of centres hit by severe selling – notably Indonesia, which fell 16 per cent in five days. But this brought little real relief to analysts.

The feeling among brokers is that the Hong Kong market may have further to unwind. Observers suspect that last week's land auction, which passed off smoothly, was not fully representative given the small size of plots on offer. Moreover, tourist arrivals continue to plumb new depths and aggressive discounting by the retail trade shows no sign of waning.

NORDIC BLOC

The corporate news flow from the Nordic bloc looks like staying upbeat. After impressive results statements last week from Astra and Nokia, the next few days will contain bumper headline numbers from the banking and insurance sectors.

Volvo, on Wednesday, looks to be the key result. Lower returns are widely expected and there have been suggestions of broker earnings downgrades lately, following last week's news of worrying volume weakness at Peugeot.

But analysts have not written off the prospect of the motor giant plundering its cash mountain with a share buy-back, possibly matching the SKr5.2bn purchase undertaken a year ago.

Other big Swedish results include Handelsbanken, SE-Banken tomorrow and Skandia on Friday. Norwegian heavyweight Norsk Hydro reports today, while among a raft of Danish results the most eagerly awaited is Wednesday's statement from Novo Nordisk, the fast-expanding drugs and bio group.

ZURICH

Key figures for 1997 are expected this week from SMH, the Swiss watchmaker. The company has already indicated that sales rose 9 per cent last year. About 75 per cent of manufacturing costs are incurred in Switzerland, while 90 per cent of its sales are exports, so it should be a big beneficiary of last year's depreciation of the Swiss franc.

Group operating margins shrank from 17.9 per cent in 1993 to 9.8 per cent by 1996, largely owing to negative currency effects and the cost of promoting the Omega brand name at the Atlanta Olympics. Frederick Hasslauer at Bank Sal. Oppenheim in Zurich expects margins to have recovered strongly and is looking for operating profits up from SFr267m in 1996 to about SFr400m.

CROSS-BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
PacifiCorp (US)	Energy Group (UK)	Power	$6.7bn	Market plans
PDVSA (Venezuela)/ Amerada Hess (US)	Joint venture	Oil & Gas	$525m	Virgin venture
Alcoa (US)	Inespal (Spain)	Metals	$410m	Deal complete
Quebecor (Canada)	Watmoughs (UK)	Printing	$310m	Third extension
Casino (France)	Libertad (Argentina)	Retailing	$202.5m	Renews expansion
BBV (Spain)	Poncebank (Puerto Rico)	Banking	$166m	More LatAm buys
National Power (UK)	Hazlewood (Australia)	Power	$132m	Stake now 72%
Lhoist (Belgium)	Unit of RMC (UK)	Building materials	$90m	Lime restructuring
Salomon Smith Barney (US)	Unit of NatWest (UK)	Financial services	$87m	Australia/NZ move
GWB (UK)	Homer D Bronson (US)	Engineering	$10.7m	Second US buy

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, February 13, 1998. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	7771.24	4750.00	2603.74	3788.94
Albania	(Lek)	255.715	156.300	85.6767	124.576
Algeria	(Dinar)	96.8772	59.0918	32.3915	47.1358
Andorra	(French Fr)	10.0063	6.1161	3.3527	4.8786
	(Sp Peseta)	253.105	154.705	84.8047	123.404
Angola	(Readj Kwanza)	420674.4	257128.0	140948.1	205103.5
Antigua	(E Carib $)	4.4174	2.7000	1.4800	2.1537
Argentina	(Peso)	1.6350	0.9994	0.5478	0.7972
Armenia	(Dram)	810.7780	495.570	271.649	395.302
Aruba	(Florin)	2.9285	1.7900	0.9812	1.4278
Australia	(Aus $)	2.4357	1.4888	0.8161	1.1876
Austria	(Schilling)	21.0014	12.8369	7.0368	10.2394
Azerbaijan	(Manat)	6462.40	3950.00	2165.21	3150.80
Azores	(Port Escudo)	305.532	186.750	102.371	148.965
Bahamas	(Bahama $)	1.6361	1	0.5482	0.7977
Bahrain	(Dinar)	0.6168	0.3770	0.2067	0.3007
Balearic Is	(Sp Peseta)	253.105	154.705	84.8047	123.404
Bangladesh	(Taka)	75.7492	46.3000	25.3803	36.9322
Barbados	(Barb $)	3.2906	2.0113	1.1025	1.6044
Belarus	(Rouble)	71192.70	43515.0	23853.0	34710.6
Belgium	(Belg Fr)	61.6066	37.6570	20.6425	30.0379
Belize	(B $)	3.2721	2.0000	1.0963	1.5953
Benin	(CFA Fr)	1000.63	611.610	335.267	487.863
Bermuda	(Bermudian $)	1.6361	1	0.5482	0.7977
Bhutan	(Ngultrum)	63.4336	38.7725	21.2539	30.9277
Bolivia	(Boliviano)	8.8510	5.4100	2.9656	4.3154
Botswana	(Pula)	6.2511	3.8204	2.0943	3.0475
Brazil	(Real)	1.8444	1.1273	0.6180	0.8992
Brunei	(Brunei $)	2.7200	1.6625	0.9113	1.3261
Bulgaria	(Lev)	2958.61	1814.50	994.628	1447.37
Burkina Faso	(CFA Fr)	1000.63	611.610	335.267	487.863
Burma	(Kyat)	10.2291	6.2517	3.4269	4.9868
Burundi	(Burundi Fr)	672.168	410.860	225.215	327.731
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		£ STG	US $	D-MARK	YEN (X 100)
Gibraltar	(Gib £)	1	0.6112	0.3351	0.4876
Greece	(Drachma)	471.273	288.055	157.903	229.773
Greenland	(Danish Krone)	11.3743	6.9523	3.8110	5.5456
Grenada	(E Carib $)	4.4174	2.7000	1.4800	2.1537
Guadeloupe	(French Fr)	10.0063	6.1161	3.3527	4.8786
Guam	(US $)	1.6361	1	0.5482	0.7977
Guatemala	(Quetzal)	10.1962	6.2322	3.4162	4.9713
Guinea	(Fr)	1873.26	1145.00	627.636	913.333
Guinea-Bissau	(CFA Fr)	1000.63	611.610	335.267	487.863
Guyana	(Guyanese $)	235.591	144.000	78.9344	114.866
Haiti	(Gourde)	29.2069	17.8533	9.7864	14.2411
Honduras	(Lempira)	21.5877	13.1950	7.2329	10.5253
Hong Kong	(HK $)	12.6627	7.7398	4.2427	6.1738
Hungary	(Forint)	341.205	208.555	114.324	166.358
Iceland	(Icelandic Krona)	118.466	72.4100	39.6930	57.7593
India	(Indian Rupee)	63.4336	38.7725	21.2539	30.9277
Indonesia	(Rupiah)	15379.0	9400.00	5152.80	7498.11
Iran	(Rial)	4908.15u	3000.00	1644.47	2393.01
Iraq	(Iraqi Dinar)	0.5087o	0.3109	0.1704	0.2480
Iraq	(Iraqi Dinar)	1963.29m	1200.00	657.787	957.205
Irish Rep	(Punt)	1.1934	0.7294	0.3998	0.5818
Israel	(Shekel)	5.8940	3.6026	1.9748	2.8736
Italy	(Lira)	2946.26	1800.85	987.173	1436.49
Jamaica	(Jamaican $)	58.2434	35.6000	19.5148	28.3971
Japan	(Yen)	205.103	125.365	68.7214	100
Jordan	(Jordanian Dinar)	1.1633	0.7110	0.3897	0.5671
Kazakhstan	(Tenge)	125.027	76.4200	41.8900	60.9580
Kenya	(Kenya Shilling)	99.8400	61.0250	33.4521	48.6779
Kiribati	(Australian $)	2.4357	1.4888	0.8161	1.1875
Korea North	(Won)	3.5993	2.2000	1.2059	1.7549
Korea South	(Won)	2652.88	1621.50	888.858	1293.42
[illegible]					

		£ STG	US $	D-MARK	YEN (X 100)
Pakistan	(Pak. Rupee)(4)	71.9960	44.0050	24.1226	35.1023
Panama	(Balboa)	1.6361	1	0.5482	0.7977
Papua New Guinea	(Kina)	2.9559	[illegible]	0.9904	1.4412
Paraguay	(Guarani)	4073.77	2490.00	1364.91	1986.20
Peru	(New Sol)	4.5548	2.7840	1.5261	2.2207
Philippines	(Peso)	65.8920	40.2750	22.0776	32.1262
Pitcairn Is	(£ Sterling)	1	0.6112	0.3351	0.4876
	(NZ $)	2.8077	1.7161	0.9407	1.3689
Poland	(Zloty)	5.8243	3.5600	1.9515	2.8397
Portugal	(Escudo)	305.532	186.750	102.371	148.965
Puerto Rico	(US $)	1.6361	1	0.5482	0.7977
Qatar	(Riyal)	5.9564	3.6407	1.9957	2.9041
Reunion Is. de la	(F Fr)	10.0063	6.1161	3.3527	4.8786
Romania	(Leu)	13448.3	8220.00	4505.98	6556.85
Russia	(Rouble)(1)	9.8900m	6.0450	3.3137	4.8219
Rwanda	(Fr)	570.146	348.491	191.027	277.981
St Christopher	(E Carib $)	4.4174	2.7000	1.4800	2.1537
St Helena	(£)	1	0.6112	0.3351	0.4876
St Lucia	(E Carib $)	4.4174	2.7000	1.4800	2.1537
St Pierre & Miquelon	(F Fr)	10.0063	6.1161	3.3527	4.8786
St Vincent	(E Carib $)	4.4174	2.7000	1.4800	2.1537
San Marino	(Italian Lira)	2946.26	1800.85	987.173	1436.49
Sao Tome	(Dobra)	3910.16	2390.00	1310.09	1906.43
Saudi Arabia	(Riyal)	6.1367	3.7509	2.0561	2.9920
Senegal	(CFA Fr)	1000.63	611.610	335.267	487.863
Seychelles	(Rupee)	8.4584	5.1700	2.8340	4.1240
Sierra Leone	(Leone)	1472.45	900.000	493.340	717.904
Singapore	($)	2.7200	1.6625	0.9113	1.3261
Slovakia	(Koruna)	58.0929	35.5080	19.4644	28.3237
Slovenia	(Tolar)	282.323	172.564	94.5945	137.649
Solomon Is	($)	7.6533	4.6779	2.5642	3.7314
Somali Rep	(Shilling)	4286.45	2620.00	1436.17	2089.90
South Africa	(Rand)	8.0797	4.9385	2.7071	3.9393
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MARKETS: This Week

EMERGING MARKETS By Stephen Fidler

Latin business up for grabs

The withdrawal last week by ING Barings from Latin American equities research, sales and trading has left many of its competitors close to shock.

This was not the withdrawal of a second-ranked house from a market in which it was a marginal player – as was last week's retreat by HSBC James Capel from Latin American equities.

Instead, it was a decision to walk away from a strong business franchise by a company that was second ranked last year for Latin American research by the magazine Institutional Investor.

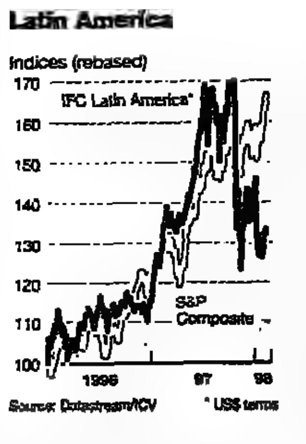
The Barings decision dates back to the collapse of its parent in February 1995, when it was the biggest broker in Latin American equities.

While the operation never closed, clients fled, worried about counterparty risk. Uncertainty about its future encouraged the defection to competitors of highly rated teams.

Under ING's ownership, Barings painstakingly rebuilt its reputation. Last year, unlike HSBC's which failed to break even, ING's Latin American equity operations even generated a modest profit, according to market wisdom.

However, from the point of view of Barings' masters in Amsterdam, it was probably too modest – particularly in a year when the Latin markets put in an excellent performance.

"If in a good year they make hardly any money, they were probably asking what a bad year would be like," said one surprised erstwhile competitor. In the worldwide business of a financial giant such as ING, Latin American equity broking was simply not worth the capital or the management effort.



Source: Datastream/ICV * US$ terms

The problem for those left in the fray is several-fold. First, amid very intense competition, broking margins in Latin America have collapsed.

This is not a new story, but the competition has intensified in the past year or so. Spanish banks have committed significant capital to the business, and new competitors such as Robert Fleming and Caspian, have entered the market. Even now, West Merchant Bank, the London arm of West-Deutsche Landesbank, is trying to build a Latin equities business.

Second, persuading non-specialist investors to get involved in Latin American shares has been difficult. This is because the US market has generated as good as or a better performance with less risk, and when the US market has gone down, the Latin markets have fallen even faster.

Moreover, emerging markets securities as an asset class have been called into question by two deep financial crises in the space of three years.

Latin American markets have obviously suffered from fall-out from Asia. But even violent emerging market rallies, such as those which occurred in the Asian markets this year, often benefit neither investor nor broker because they occur on almost zero volume.

Some analysts reckon the pull-out by HSBC and Barings will give the rest of the market about $40m a year in extra commission to fight over. But all agree that the biggest beneficiaries from the pull-outs will be the big US firms, whose stranglehold over the world financial markets seems to be tightening, and perhaps one or two others.

Booming domestic financial markets have given US houses the capital to buy clout in Latin America and make money through proprietary trading and by underwriting new deals.

"What this has shown," says Laurie Meister-Melka, director of Latin American sales at Robert Fleming, "is that you have the big players and the niche players, with not much room for anything in between."

The smaller fish are hoping that the positions they are building within Latin America will allow them to benefit from the rapid development of local capital markets, encouraged by the private pension funds systems being established across the region.

Peru's stock market, notes Ms Meister-Melka, has escaped much of the fall-out from the Asian crisis because it was buoyed by buying from local pension funds.

Houses such as Flemings are also banking on a continued appetite on the part of institutional investors for research which is not driven by the deals being done in the corporate finance department and which is therefore even more biased toward "buy" recommendations than usual.

The Barings pull-out has also added fuel to another market debate about the best way to organise research: a country approach or a sectoral approach. Barings' country approach, basing analysts in offices all over the region, added to the organisational costs of its operations. According to the conventional wisdom, those who have argued in favour of sectoral analysis – allowing cross-country comparisons of industries – have won a battle.

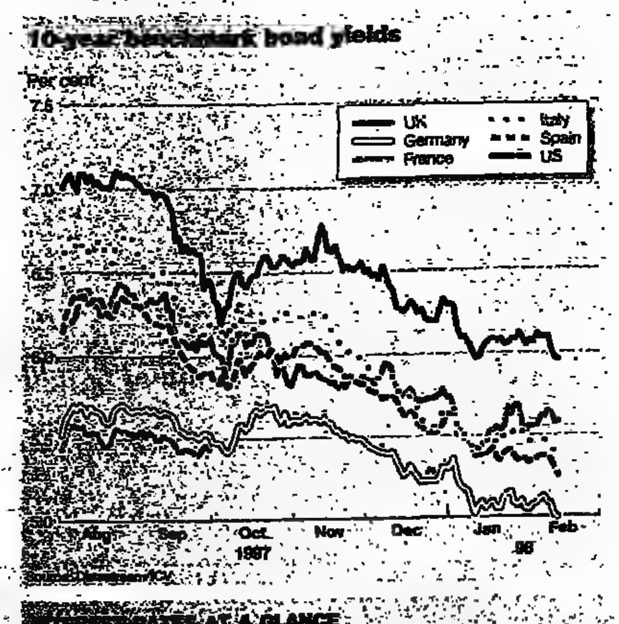
Emerging markets: IFC weekly investable price indices

Market	No. of stocks	Dollar terms: Feb 12th 1998	% Change over week	% Change on Dec '97
Latin America	(270)	617.94	–0.1	–8.8
Argentina	(32)	1,106.90	+1.8	–0.8
Brazil	(75)	475.44	+3.8	–1.5
Chile	(50)	553.69	–0.6	–13.8
Colombia[1]	(16)	655.93	–7.4	–20.5
Mexico	(61)	682.05	–2.6	–13.5
Peru[2]	(24)	201.18	–0.9	–9.1
Venezuela[3]	(12)	707.17	–10.9	–22.7
Asia	(758)	123.21	+2.7	+14.4
China[4]	(43)	61.05	+12.1	–7.7
South Korea[5]	(184)	34.62	–4.3	+44.1
Philippines	(49)	129.02	+5.4	+14.4
Taiwan, China[6]	(98)	136.93	+2.5	+11.3
India[7]	(72)	75.45	–1.7	–9.5
Indonesia[8]	(61)	26.60	+6.7	–21.0
Malaysia	(157)	116.02	+4.4	+27.3
Pakistan[9]	(24)	243.48	+1.4	–2.0
Sri Lanka[10]	(5)	112.16	+1.7	–3.6
Thailand	(65)	76.80	+5.6	+63.3
Euro/Mid East	(395)	143.16	–0.3	–3.1
Czech Rep	(8)	83.05	+3.6	–3.1
Egypt	(28)	87.10	–0.1	–6.6
Greece	(54)	334.34	+5.2	+3.2
Hungary[11]	(13)	294.45	–0.2	–6.4
Israel	(46)	107.15	–5.3	–12.0
Jordan	(8)	206.33	–0.2	–1.9
Morocco	(11)	134.86	+1.3	+3.5
Poland[12]	(29)	691.88	+6.7	+15.9
Portugal	(23)	243.78	–5.1	+15.5
Russia	(30)	116.33	+4.8	–22.4
Slovakia	(5)	90.27	+2.4	–9.0
South Africa[13]	(76)	190.76	–1.0	+6.1
Turkey[14]	(58)	246.93	–0.3	–20.9
Zimbabwe[15]	(10)	282.06	+4.2	+12.1
Composite	(1,423)	242.77	+0.6	–1.3

Indices are calculated at end-week; weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1992; (15)Aug 2 1993; (16) July 2 1998.

INTERNATIONAL BONDS By Edward [illegible]

Appetite grows for Asian debt



INTEREST RATES AT A GLANCE

	US	Japan	Germany	France	Italy	UK
[illegible]	5.00	0.50	2.50	3.30	5.50	7.25
[illegible]	[illegible]	n/a	3.30	3.39	6.31	n/a
[illegible]	5.24	0.37	3.41	3.42	5.99	7.38
[illegible]	5.26	0.58	3.68	3.59	5.12	7.01
[illegible]	5.44	1.27	4.53	4.42	4.96	6.18
[illegible]	5.50	1.97	4.99	5.03	5.35	5.84

[illegible] Source: Reuters.

With something approaching calm descending on the Asian debt markets, entrepreneurial investors are looking to restore liquidity to the sector.

At the moment only a handful of Asian bonds – mostly sovereign or quasi-sovereign paper – could be described as liquid. As a result, benchmark bonds – such as the Korean Development Bank's 10-year dollar bond or Indonesia's 10-year sovereign issue – have been traded frenetically by investors over the past few months in the absence of any liquid alternative.

This has two immediate implications:

- First, investors should mistrust suggestions that Asia's creditworthiness has improved by as much as might be implied by movements in bond prices in recent weeks.

The KDB's benchmark, for example, has tightened from a spread of more than 900 basis points over US Treasuries to about 350 basis points in the past few weeks. However, much of this rally can be attributed to technical factors.

Owing to the fact that the KDB bond is the only liquid bond on offer from Korea, investors have used it as a hedging device against paper they have been unable to sell. This creates artificial demand for the bond at a time when there are few willing sellers. Price distortions are also exacerbated by activity in the repo market.

"If you are long on other Korean debt, it makes sense to go short [sell a security you do not own in the hope its price will fall before you have to buy it back] on the KDB benchmark," said one analyst. This suggests that when the KDB returns to the markets, it will have to offer a significantly wider spread than on its existing bond in the secondary market.

- Second, investors want to see the restoration of liquidity in other Asian bonds, especially in the market for corporate and bank debt which seems to have gone into hibernation since last October. Many hope a market for distressed Asian debt will fill part of the gap.

"There are signs already that some hedge funds and other speculative investors are moving into distressed Asian debt," said Richard Gray, chief emerging market economist at the Bank of America. "But it is extremely difficult to predict how large the market will be and whether it will have any liquidity."

One problem is that much of Asia's private sector borrowing was in the form of bilateral loans, most of which are packaged as commercial notes. This makes it difficult to estimate the size of the distressed debt market. It also means it is much more difficult to achieve liquidity in the market, owing to a lack of transparency and the fact that most of the paper is unlisted.

Nevertheless, the appetite for such paper – and for sub-investment grade debt in general – is clearly returning to the market. "The biggest obstacle in the way of a return to the emerging market conditions we saw last year is the question over Iraq," said Mr Gray. "Once that is out of the way the market should regain confidence."

The relative lack of supply poses another constraint on liquidity. "Secondary market trading is conditioned by primary market activity," said Isaac Tabor, director of emerging markets research at West Merchant Bank.

Although Argentina and Brazil successfully launched euro-denominated bonds in the past few weeks, no dollar benchmarks had been issued until Friday's $400m seven-year deal by Turkey.

"The borrowers that have returned to the market have been careful to avoid too much publicity," Mr Tabor said. "They did not want to set a precedent by paying too much in the most visible market."

Turkey's choice of a dollar issue was an encouraging sign, he added.

But analysts believe that any durable return to the buoyant market conditions of last year would most likely be led by activity from Latin American borrowers.

"Latin American issuers are clearly in a better position than central and eastern European borrowers," said one economist. Brazil, in particular, is seen as a bellwether.

"Brazil is looking particularly attractive," said Mr Tabor. "It has been the most affected [by the spill-over from last year's Asian turmoil], but is now coming back."

The performance of Brazilian bonds in coming months will be conditioned by news of economic reforms in the run-up to – and aftermath of – next autumn's election. It is also likely to inspire price movements in the debt of neighbouring countries.

"We feel positive about emerging markets at large," said Mr Tabor, warning however, that 1998 was "going to be a volatile year".

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book-runner
US DOLLARS							
Republic of Argentina(a)	500	Sep 2027	9.75‡	97.66	9.997	+409(6¾%Feb27)	JP Morgan Securities
Bell Atlantic Fin Services§	2.456bn	Apr 2003	5.75‡	100.00	-	-	SBC Warburg DR
Canada	2bn	Feb 2003	5.625‡	99.718R	5.691	+21(5½%Jan03)	CIBC/Merrill/JP Morgan
Storebrand(c)‡	175	undated	(d1)	99.975R	-	-	JP Morgan Securities
Merrill Lynch & Co‡§	150	Mar 2003	1.00	100.00	-	-	Merrill Lynch Intl
KfW International Finance	1bn	Feb 2003	5.625	99.558R	5.730	+20(5½%Jan03)	Commerz/M Stanley
Abbey Natl Treasury Services	300	Mar 2001	5.75	99.90R	5.707	[illegible]	ABN Amro/[illegible]
SundsvallLB Capl Mkts(c)	250	Jan 2008	6.00	99.89R	6.001	+32(6¼%Aug07)	CSFB/Salomon SB
BNG	200	Mar 2002	5.625	99.78R	5.684	+30(5⅝%Feb01)	ABN Amro
World Bank(a)	150	Mar 2003	6.00	99.962R	6.009	+46(5½%Jan03)	ABN Amro
Halifax	500	Feb 2008	6.00	99.838R	6.022	+43(5½%Feb08)	ABN Amro/Merrill Lynch
LW Rentenbank	500	Feb 2001	5.75	99.96R	5.762	+25(5½%Jan03)	Nomura International
ELL 98-1, Tranche A(v1)☆‡	185	Jan 2001	(v2)	100.00R	-	-	Salomon Smith Barney
ELL 98-1, Tranche A(v3)☆‡	239.6	Jul 2007	(v4)	100.00R	-	-	Salomon Smith Barney
Spiekatel‡	309	May 2004	(w)	99.919R	-	-	JP Morgan/M Stanley
Household Finance Corp	300	Feb 2003	6.125	99.60R	6.221	+70(5½%Jan03)	Merrill Lynch Intl
Fresenius MCC Trust II(A)	450	Feb 2008	7⅞(e)#	100.00R	8.11	+239(5½%Feb08)	DLJ Securities Corp
Republic of Turkey	400	Feb 2005	9.875‡	99.145R	10.05	+450(7½%Feb05)	JP Morgan/Salomon SB
Siemens Capital Corp(B)	250	Feb 2008	6.09(e)	100.393R	5.95	[illegible]	M Stanley/SSCWDR
Bank of Nova Scotia‡	200	Feb 2000	(C)	99.954	-	-	Salomon Smith Barney
BOS Intl(Australia)☆‡	50	Feb 2000	(D)	99.981	-	-	Salomon Smith Barney
D-MARKS							
De NIB	200	Dec 2002	4.50(e)	99.381R	4.652	+17(4¼%Aug02)	ING Barings
Ukraine	750	Feb 2001	16.00	99.50R	16.22	-	Commerzbank/Merrill
Rheinische Hypo(n,q)	500	Jan 2005	5.00	98.71R	5.044	+12½(6Jan05)	(n1)
Province of Quebec‡	200	Mar 2008	(o)	99.73	-	-	Bankgesellschaft Berlin
European Inv'ment Bank(x)	2bn	Mar 2028	zero	17.609R	-	-	Barclays Capital Group
DePfa Bank(p)	1bn	Jun 2006	5.00(e)	99.65R	5.05	+15½(6¼%Apr06)	CAI/DG Bank/Rabobank
Raiffeisen Zentralbank	500	Mar 2003	4.625	99.46R	4.749	+32(4½%Aug02)	Commerzbank/SocGen
Oest Investkredit	300	Mar 2003	4.625	99.50R	4.740	+22(7⅜%Jan03)	Bayerische Landesbank
National Bank of Hungary(y)‡	250	Feb 2003	(y1)	99.735	-	-	DG Bank
Fresenius MCC Trust II(A)	300	Feb 2008	7⅞(e)#	100.00R	8.11	+239(5¼%Jan08)	CSFB
Rydbok‡	100	Feb 2003	(E)	99.75	-	-	Bank of TM(Deutsch)
STERLING							
European Inv'ment Bank(b)	100	Dec 2007	7.625	109.2192	6.329	+16(7¼%Dec07)	Salomon Smith Barney
Argentaria Global Finance‡	250	Mar 2003	(q)	99.98R	-	-	Barclays Capital Group
Beneficial Bank‡	175	Feb 2003	(r)	99.792R	-	-	JP Morgan Securities
Crdt Commercial de France‡	180	Feb 2001	(s)	99.975R	-	-	Commerzbank/Merrill
3i Group	200	Mar 2023	6.875	99.753R	6.895	+82(8%-21)	SBC Warburg DR
KfW International Finance	300	Jun 2002	6(s)	99.591R	6.496	+20(7%Jun02)	Barclays Capital Group
Ford Credit Europe‡	150	Mar 2003	(t)	99.74R	-	-	Barclays Capital Group
GECC	100	Feb 2002	6.375	99.463R	6.535	+25(7¼%Jun02)	Dresdner/Nikko Europe
FRENCH FRANCS							
Frankfurter Hypo(u)‡	1bn	Mar 2008	(s)	99.91R	-	-	CDC Marchés/CA
European Inv'ment Bank(e)	3bn	Feb 2003	4.50(e)	99.68R	4.574	[illegible]	CA/CDC/SocGen
GUILDERS							
Norddeutsche Securities(j)	250	Sep 2007	5.875	104.168R	5.281	+23(8¼%Sep07)	ABN Amro
BNG	750	Dec 2003	4.50(e)	99.188R	4.666	+10(6½%Apr03)	ING Barings
Genfinance Luxembourg	150	Mar 2005	5.125	100.175R	5.095	[illegible]	Generale Bank
YEN							
World Bank	100bn	Feb 2008	2.00‡	99.90R	2.011	+32(%Dec07)	Daiwa/Nomura Intl
LW Rentenbank(f)☆	15bn	Mar 2000	4.75‡	99.96	-	-	Nomura International
ITALIAN LIRE							
SIMAC	300bn	Mar 2001	5.00	99.80R	5.074	-	Cariplo/JP Morgan Secs
Petroleos Mexicanos	200bn	Mar 2008	(h)	99.60R	-	-	Cariplo/Chase
SWISS FRANCS							
North East Finance of Japan	150	Mar 2005	3.00	103.10	2.812	-	Banque Paribas(Suisse)
Réseau Ferré de France	500	Sep 2008	3.25(e)	102.70	-	-	CSFB
EUROS(e)							
Federative Republic of Brazil	500	Mar 2003	5.625	99.863R	8.680	+380(8%-03)	Paribas/SBC Warburg
Abbey Natl Treasury Services	1bn	Feb 2005	4.875	99.313R	4.986	+17(i)	Paribas/Salomon
Republic of Italy	4bn	May 2008	5(h)	98.047R	5.251	+17(5%Apr08)	JPM/Paribas/SSCWDR
PESETAS							
DG Bank	10bn	Mar 2003	4.67	99.90R	4.693	-	Banco Bilbao Vizcaya
LUXEMBOURG FRANCS							
Banque Generale du Lux	2bn	Jun 2008	5.60(i)	101.60	5.26	-	Bqe Generale du Lux
Bayerische Vereinsbank	2bn	Mar 2008	5.625	102.45	5.303	-	BIL/Paribas Lux
CANADIAN DOLLARS							
Prov of British Columbia	200	Mar 2002	5.25	99.44R	5.409	+12(8½%Apr02)	TD Securities
Toyota Credit Canada	200	Dec 2003	5¾(n)	99.33R	5.62	+32(5½%Sep03)	ABN Amro/CIBC
World Bank	100	Mar 2001	5.00	99.665R	5.116	-10(l)	Hambros Bank
NEW ZEALAND DOLLARS							
WestLB Finance Curaçao	100	Mar 2000	8.00	101.00	7.444	-	Hambros Bank
Commerzbank AG	100	Mar 2000	8.125	101.045	7.54	-	TD Securities
Norddeutsche Landesbank	100	Mar 2001	7.75	100.85	7.434	-	Hambros Bank
SOUTH AFRICAN RAND							
European Investment Bank	300	Mar 2003	13.25	100.685	13.05	-	Hambros Bank
GECC	300	Mar 2000	13.75	100.935	13.15	-	Hambros Bank

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. $Convertible. ‡Floating-rate note. ◊With equity warrants. ☆Unlisted. #Semi-annual coupon and yield. R: fixed re-offer price. a) Fungible with $2.25bn. Plus 141 days accrued. b) Fungible with £500m. Plus 71 days accrued. c) Exchangeable into shares of Telecom New Zealand at NZ$9.57683. FX 0.5885 NZ$/US$ premium. Fixed later this week. Callable from 1/4/01 at 102.30% falling to par. d) Callable in Feb 03 and every 5 yrs at par. d1) 6-mth Libor +70bp to Feb 03, then +145bp to Feb 08, then +170bp. e) Pays in Ecu prior to Emu. Spreads relate to French govt Ecu bonds. f) Exchangeable into Novartis registered shares at SFr3310. FX 1.4583 SFr/$. Callable from Mar 01 subject to 150% (of SFr2551) hurdle. g) Tec-10 -70bp. h) 11¼% for yrs 1-3, then 11¼% - 12-mth Libor; redemption to ensure min re-offer IRR of 5%. i) Over interpolated yield. j) Fungible with Fl 500m. Plus 184 days accrued. k) Fungible with $500m. Plus 34 days accrued. l) Long 1st coupon. m) Callable on 11/3/99 at par. n) Fungible with DM1bn. Plus 29 days accrued. n1) Joints: Commerzbank, Deutsche, Dresdner, Goldman, Salomon, SocGen. o) 3-mth Libor +17½bp. p) Oeffentliche Pfandbrief. q) 3-mth Libor +6bp. r) 3-mth Libor +20bp. s) Short 1st coupon. t) 3-mth Libor flat. u) Fungible with DM1.5bn upon Emu. v) Education Loans Inc. v1) Legal maturity: 1/6/20. Av life: 1.44 yrs. v2) 1-mth Libor +15bp. v3) Legal maturity: 1/6/20. Av life: 5.49 yrs. v4) 1-mth Libor +20bp. v5) Junior tranche of $59.2m was also issued. w) 3-mth Libor +6¼bp. x) Callable on 17/3/03 at 23.524%, 17/3/08 at 31.421%, 15/3/13 at 41.956%, 15/3/18 at 56.841% and 15/3/23 at 74.855%. y) Fungible with DM500m. Plus 9 days accrued. y1) 3-mth Libor +37½bp. z) 3-mth Libor +¼%. A) Medical Care Capital. Quarterly coupons, annual yields. B) $750m launched on 25/1/98 was increased to $1bn. C) 3-mth Libor -6¼bp. D) 3-mth Libor -6¼bp; short 1st and long last coupons. E) 6-mth Libor +37½bp. F) Monthly coupons, redeemed in £. Note: Yields are calculated on ISMA basis.

CONTRACTS & TENDERS

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Feb 13		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	21.0014	+0.1188	996 - 091	21.0254	20.8279	20.9383	3.6	20.8059	3.7	20.3073	3.3	102.2
Belgium	(BFr)	61.6088	[illegible]	547 - 628	61.7250	61.1490	61.4252	3.8	61.0264	3.8	59.5174	3.4	101.8
Denmark	(DKr)	11.3743	+0.0641	702 - 784	11.3985	11.2843	11.3422	3.4	11.2743	3.5	11.0254	3.1	104.1
Finland	(FM)	9.0588	[illegible]	[illegible]	9.0750	8.9810	9.0299	3.8	8.9695	3.9	8.7482	3.5	80.3
France	(FFr)	10.0083	[illegible]	010 - 115	10.0241	9.9309	9.9755	3.7	9.9107	3.8	9.6658	3.4	104.9
Germany	(DM)	2.9846	+0.0180	[illegible]	2.9928	2.9619	2.9763	3.7	2.9558	3.8	2.8828	3.4	102.5
Greece	(Dr)	471.273	+2.065	934 - 611	473.257	467.981	473.977	-6.9	480.548	-7.9	506.199	-7.4	85.0
Ireland	(I£)	1.1934	+0.0074	922 - 945	1.1955	1.1880	1.1924	1.1	1.1896	1.3	1.1683	2.1	92.6
Italy	(L)	2946.28	+17.4	475 - 781	2951.66	2924.51	2943.33	1.2	2936.32	1.4	2885.31	2.1	75.0
Luxembourg	(LFr)	61.6088	+0.3538	547 - 628	61.7250	61.1490	61.4252	[illegible]	61.0254	3.8	59.5174	3.4	101.8
Netherlands	(Fl)	3.3639	+0.019	623 - 654	3.3717	3.3393	3.3564	3.8	3.331	3.9	3.2477	3.5	100.8
Norway	(NKr)	12.4111	+0.0718	043 - 178	12.4398	12.3217	12.3742	[illegible]	12.2993	3.6	12.0412	3.0	[illegible]
Portugal	(Es)	305.532	+1.708	385 - 680	306.291	303.335	304.922	2.4	303.465	2.7	296.729	2.9	91.2
Spain	(Pta)	253.105	+1.509	977 - 233	253.480	250.220	252.569	2.5	251.38	[illegible]	245.813	2.9	76.4
Sweden	(SKr)	13.2751	+0.0383	681 - 820	13.3050	13.1810	13.2458	2.6	13.1855	2.7	12.9688	2.3	83.6
Switzerland	(SFr)	2.3963	+0.015	950 - 975	2.4012	2.3604	2.3841	6.1	2.3585	6.3	2.2575	5.8	108.5
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	104.9
Ecu	-	1.5109	+0.0078	096 - 121	1.5134	1.5007	1.5072	2.9	1.4994	[illegible]	1.457	2.9	-
SDR†	-	1.206708	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6350	-0.0048	346 - 354	1.6399	1.6327	-	-	-	-	-	-	-
Brazil	(R$)	1.8444	-0.0025	438 - 449	1.8468	1.8407	-	-	-	-	-	-	-
Canada	(C$)	2.3599	+0.0019	590 - 608	2.3613	2.3481	2.3552	2.4	2.3457	2.4	2.3126	2.0	81.8
Mexico	(New Peso)	13.8574	+0.0035	482 - 665	14.2254	13.8138	13.9884	-11.3	14.2729	-12.0	15.5373	-12.1	-
USA	($)	1.6361	-0.0038	357 - 364	1.6401	1.6330	1.6337	1.8	1.6287	1.8	1.6093	1.6	108.7
Pacific/Middle East/Africa													
Australia	(A$)	2.4357	+0.0171	341 - 373	2.4383	2.4205	2.431	2.3	2.4207	2.5	2.3808	2.3	87.1
Hong Kong	(HK$)	12.6627	-0.0301	592 - 662	12.6920	12.5394	12.6581	0.4	[illegible]	-1.5	13.1151	-3.8	-
India	(Rs)	63.4338	-0.1861	079 - 596	[illegible]	[illegible]	-	-	-	-	-	-	-
Israel	(Shk)	5.8940	-0.0066	852 - 027	5.9040	5.8845	-	-	-	-	-	-	-
Japan	(Y)	205.103	+2.411	019 - 188	205.360	203.270	204.008	6.4	201.883	6.8	192.043	6.4	124.1
Malaysia	(M$)	6.2829	+0.1105	737 - 920	6.5448	5.9545	6.2811	0.3	6.2879	-0.3	6.5099	-3.6	-
New Zealand	(NZ$)	2.8077	+0.0051	047 - 107	2.8157	2.8028	2.8106	-1.3	2.8174	-1.4	2.837	-1.0	101.4
Philippines	(Peso)	65.8920	-0.0321	916 - 924	[illegible]	[illegible]	[illegible]	-10.0	67.8357	-11.8	74.0831	-12.4	-
Saudi Arabia	(SR)	6.1367	-0.0142	349 - 385	6.1514	6.1257	6.1303	1.3	6.1162	1.3	6.0671	1.1	-
Singapore	(S$)	2.7200	+0.0125	169 - 230	2.7348	2.6852	2.7189	0.5	2.7216	-0.2	2.7294	-0.3	-
South Africa	(R)	8.0797	-0.0075	756 - 838	8.0984	8.0687	8.1243	-6.6	[illegible]	[illegible]	8.5811	[illegible]	-
South Korea	(Won)	2652.86	-12.8	983 - 588	2663.06	2647.37	-	-	-	-	-	-	-
Taiwan	(T$)	53.7197	-0.174	837 - 557	[illegible]	[illegible]	[illegible]	1.3	53.5302	1.4	53.0207	1.3	-
Thailand	(Bt)	75.8310	+2.281	058 - 562	77.3690	75.0200	76.4232	-9.4	77.6874	-8.8	83.6813	-10.4	-

† Rates for Feb 12. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Sterling Index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. The exchange rates printed in this table are also available on the internet at http://www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Feb 13		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan index
Europe													
Austria	(Sch)	12.8366	+0.1025	346 - 386	[illegible]	[illegible]	[illegible]	1.9	12.7746	1.9	12.6191	1.7	102.0
Belgium	(BFr)	37.6570	+0.304	320 - 820	[illegible]	[illegible]	[illegible]	1.8	37.4295	2.0	36.9845	1.8	101.8
Denmark	(DKr)	6.9523	+0.0554	513 - 533	6.9630	6.8885	[illegible]	1.6	6.9224	1.7	6.8513	1.5	103.6
Finland	(FM)	5.5370	+0.0455	345 - 395	5.5432	[illegible]	[illegible]	2.1	5.5072	2.1	5.435	1.8	79.8
France	(FFr)	6.1161	+0.0514	142 - 180	6.1255	6.0595	6.1065	1.9	6.0951	2.0	[illegible]	1.8	104.5
Germany	(DM)	1.8243	+0.0146	240 - 245	[illegible]	1.8079	[illegible]	2.0	1.8149	2.1	1.7913	1.8	102.3
Greece	(Dr)	288.055	+1.935	910 - 200	[illegible]	[illegible]	[illegible]	-4.6	295.055	-4.7	314.555	-9.2	64.7
Ireland	(I£)	1.3710	-0.0117	700 - 720	1.3825	1.3665	[illegible]	0.7	1.3693	0.5	1.3775	-0.5	-
Italy	(L)	1800.85	+14.84	030 - 140	1803.52	1785.30	1801.65	-0.5	1802.9	-0.5	1792.95	0.4	74.9
Luxembourg	(LFr)	37.6570	+0.304	320 - 820	37.7030	[illegible]	37.5395	1.8	37.4595	2.0	36.9845	1.8	101.8
Netherlands	(Fl)	2.0561	+0.0164	556 - 566	2.0592	2.0377	2.0526	2.0	2.0452	2.1	2.0161	1.8	101.0
Norway	(NKr)	7.5860	+0.0616	835 - 885	7.6005	7.5202	7.5745	1.8	7.5512	1.8	7.4625	1.4	95.9
Portugal	(Es)	186.750	+1.48	700 - 800	[illegible]	[illegible]	[illegible]	0.7	186.327	0.9	184.39	1.3	91.9
Spain	(Pta)	154.705	+1.28	660 - 750	154.920	[illegible]	[illegible]	0.6	154.335	1.0	152.75	1.3	76.1
Sweden	(SKr)	8.1141	+0.0424	116 - 166	8.1290	[illegible]	[illegible]	0.9	8.0959	0.9	8.0599	0.7	80.2
Switzerland	(SFr)	1.4647	+0.0126	642 - 651	1.4685	1.4536	1.4592	4.4	1.4481	4.5	1.4028	4.2	108.5
UK	(£)	1.6361	-0.0038	357 - 364	1.6401	1.6330	1.6327	1.6	1.6287	1.8	1.6093	1.6	103.8
Ecu	-	1.0829	-0.0081	822 - 835	1.0911	[illegible]	[illegible]	-1.2	1.0862	-1.2	1.097	-1.3	-
SDR†	-	0.73805	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9994	-0.0004	993 - 994	0.9995	[illegible]	-	-	-	-	-	-	-
Brazil	(R$)	1.1273	+0.0011	272 - 274	1.1277	1.1269	-	-	-	-	-	-	-
Canada	(C$)	1.4425	+0.0046	422 - 427	[illegible]	[illegible]	1.4416	0.7	1.4402	0.6	1.4371	0.4	81.9
Mexico	(New Peso)	[illegible]	+0.022	650 - 750	8.4760	8.4610	8.5225	-13.1	8.7635	-13.9	9.655	-14.0	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	108.6
Pacific/Middle East/Africa													
Australia	(A$)	1.4888	+0.014	881 - 894	[illegible]	[illegible]	[illegible]	0.6	1.4854	0.9	1.4747	0.9	67.9
Hong Kong	(HK$)	7.7398	-0.0002	393 - 402	7.7442	7.7325	7.7483	-1.3	7.8046	-3.4	8.1498	-5.3	-
India	(Rs)	38.7725	-0.0225	650 - 800	[illegible]	[illegible]	-	-	-	-	-	-	-
Israel	(Shk)	3.6026	+0.0045	980 - 071	[illegible]	[illegible]	-	-	-	-	-	-	-
Japan	(Y)	125.365	+1.765	340 - 390	125.500	[illegible]	124.88	4.6	123.8	5.0	119.34	4.8	126.7
Malaysia	(M$)	3.8403	+0.0764	355 - 450	[illegible]	[illegible]	[illegible]	-1.4	[illegible]	-2.1	4.0453	-5.3	-
New Zealand	(NZ$)	[illegible]	+0.0071	147 - 176	1.7205	1.7114	1.7192	-2.2	1.7246	-2.0	1.7434	-1.6	-
Philippines	(Peso)	40.2750	+0.075	000 - 500	40.9000	[illegible]	40.6655	-11.7	41.651	-13.7	46.023	-14.3	-
Saudi Arabia	(SR)	3.7509	+0.0001	506 - 512	3.7515	3.7504	3.7525	-0.5	3.7553	-0.5	3.7702	-0.5	-
Singapore	(S$)	[illegible]	+0.0115	610 - 640	1.6715	[illegible]	1.5642	-1.2	1.671	-2.0	1.696	-2.0	-
South Africa	(R)	4.9385	+0.007	370 - 400	[illegible]	[illegible]	[illegible]	-8.4	5.0463	-8.7	[illegible]	-8.1	-
South Korea	(Won)	1621.50	-4	000 - 300	[illegible]	[illegible]	-	-	-	-	-	-	-
Taiwan	(T$)	32.8350	-0.029	200 - 500	33.0520	[illegible]	[illegible]	-0.4	32.8675	-0.4	32.9475	-0.5	-
Thailand	(Bt)	46.3500	+1.5	000 - 000	47.2500	45.7000	46.75	-11.1	47.7	-11.7	52	-12.2	-

† SDR rate per $ for Feb 12. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Feb 12. Base average 1990=100. Bid, offer, mid spot rates and forward rates in both this and the Pound table are derived from THE WM/REUTERS CLOSING SPOT and FORWARD RATE services. Some values are rounded by the F.T. The exchange rates printed in this table are also available on the internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

February 13	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.00	2.75	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.00	2.75	-
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.60	-	3.30
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.60	-	3.30
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.50	2.50	3.30
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.50	2.50	3.30
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.75
week ago	[illegible]	[illegible]	6	[illegible]	[illegible]	-	-	6.75
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.00	5.50	6.23
week ago	[illegible]	6	[illegible]	[illegible]	[illegible]	7.00	5.50	6.23
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	2.75	3.30
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	2.75	3.30
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	1.00	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	1.00	-
US	[illegible]	[illegible]	5	[illegible]	[illegible]	-	5.00	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	5.35	5.40	5.43	5.45	-	-	-
week ago	-	5.35	5.37	5.41	5.44	-	-	-
ECU Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-

The FT intends to replace the Libor FT London interbank fixing rate with the BBA London rate on 20/2/98. Any comments should be sent to Martin Dickson, Financial Editor, at the FT. Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Feb 13	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
German Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible] - 5	5 - [illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canadian Dollar	[illegible]	[illegible]	[illegible]	5 - [illegible]	[illegible] - 5	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible] - 6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japanese Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	5 - [illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.39	[illegible]	+0.01	94.39	94.38	53,817	470,394
Jun	94.47	94.49	+0.02	94.50	94.47	110,215	409,263
Sep	94.50	94.52	[illegible]	94.53	94.49	131,149	321,022

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.04	95.03	-	95.04	95.02	247	8,601
Jun	95.13	95.13	+0.01	95.15	95.13	145	2,823
Sep	-	95.19	+0.03	95.22	-	25	159

All Open interest figs. are for previous day

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Feb 13		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.48	16.24	4.845	1.937	4782	5.460	20.15	495.9	410.8	21.55	3.890	1.623	3.831	2.656	332.9	2.452
Denmark	(DKr)	54.16	10	8.797	2.624	1.049	2590	2.957	10.91	268.6	222.5	11.67	2.107	0.879	2.075	1.438	180.3	1.328
France	(FFr)	61.57	11.37	10	2.983	1.193	2944	3.362	12.40	305.3	252.9	13.27	2.395	0.999	2.359	1.635	205.0	1.510
Germany	(DM)	20.64	3.811	3.353	1	0.400	987.1	1.127	4.158	102.4	84.80	4.448	0.803	0.335	0.791	0.548	68.72	0.506
Ireland	(I£)	51.63	9.532	8.385	2.501	1	2469	2.819	10.40	256.0	212.1	11.12	2.008	0.838	1.978	1.371	171.9	1.266
Italy	(L)	2.091	0.386	0.340	0.101	0.041	100	0.114	0.421	10.37	8.591	0.451	0.081	0.034	0.080	0.056	6.961	0.051
Netherlands	(Fl)	18.31	3.381	2.975	0.887	0.355	875.9	1	3.690	90.83	75.24	3.946	0.712	0.297	0.702	0.486	60.97	0.449
Norway	(NKr)	49.64	9.165	8.062	2.405	0.962	2374	2.710	10	246.2	203.9	10.70	1.931	0.806	1.902	1.318	165.3	1.217
Portugal	(Es)	20.16	3.723	3.275	0.977	0.391	964.3	1.101	4.062	100	82.84	4.345	0.784	0.327	0.772	0.535	67.13	0.494
Spain	(Pta)	24.34	4.494	3.953	1.179	0.471	1164	1.329	4.904	120.7	100	5.245	0.947	0.395	0.932	0.646	81.03	0.597
Sweden	(SKr)	46.41	8.568	7.538	2.248	0.899	2219	2.534	9.349	230.2	190.7	10	1.805	0.753	1.778	1.232	154.5	1.138
Switzerland	(SFr)	25.71	4.747	4.176	1.246	0.498	1230	1.404	5.179	127.5	105.6	5.540	1	0.417	0.985	0.683	85.59	0.630
UK	(£)	61.61	11.37	10.01	2.985	1.193	2946	3.364	12.41	305.5	253.1	13.28	2.396	1	2.360	1.636	205.1	1.511
Canada	(C$)	26.11	4.820	4.240	1.265	0.506	1248	1.425	5.259	129.5	107.2	5.625	1.015	0.424	1	0.693	86.91	0.640
USA	($)	37.66	6.952	6.116	1.824	0.729	1801	2.056	7.586	186.8	154.7	8.114	1.465	0.611	1.443	1	125.4	0.923
Japan	(Y)	30.04	5.546	4.879	1.455	0.582	1436	1.640	6.051	149.0	123.4	6.472	1.168	0.488	1.151	0.798	100	0.737
Ecu	-	40.78	7.529	6.623	1.976	0.790	1950	2.227	8.215	202.2	167.5	8.787	1.586	0.662	1.562	1.083	135.6	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	0.5537	0.5502	-0.0036	0.5541	0.5482	18,932	72,753
Jun	0.5520	0.5530	-0.0035	0.5586	0.5510	178	3,706
Sep	-	0.5565	-0.0035	-	0.5545	1	1,631

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	0.6909	0.6865	-0.0042	0.6909	0.6830	11,362	41,685
Jun	0.6905	0.6941	-0.0041	0.6944	0.6905	579	1,686
Sep	-	0.7014	-0.0040	-	0.6995	1	1,190

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5m per Yen 100

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	0.8060	0.8018	-0.0040	0.8090	0.7997	[illegible]	100,484
Jun	0.8140	0.8119	-0.0041	0.8140	0.8102	417	3,047
Sep	-	0.8219	-0.0042	-	0.8230	3	540

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	1.6370	1.6360	+0.0002	1.6376	1.6306	4,396	27,990
Jun	1.6290	1.6288	+0.0002	1.6300	1.6240	183	1,506
Sep	-	1.6216	+0.0002	1.6220	1.6160	8	569

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Feb	CALLS Mar	CALLS Apr	PUTS Feb	PUTS Mar	PUTS Apr
1.630	0.84	2.01	2.55	0.03	1.36	2.15
1.640	0.15	1.49	2.11	0.29	1.86	2.63
1.650	-	1.09	1.69	1.09	2.31	3.21

Previous day's vol., Calls 249 Puts 80 . Prev. day's open int., Calls 25,390 Puts 23,530

■ **PHILADELPHIA SE D-MARK/$ OPTIONS** DM62,500 ($ per DM)

Strike Price	CALLS Feb	CALLS Mar	CALLS Apr	PUTS Feb	PUTS Mar	PUTS Apr
0.540	0.92	1.27	-	-	0.26	0.43
0.545	0.43	0.93	1.22	-	0.40	0.60
0.550	0.06	0.63	0.93	0.11	0.60	0.87

Previous day's vol., Calls 760 Puts 749 . Prev. day's open int., Calls 9,196 Puts 28,844

UK INTEREST RATES

LONDON MONEY RATES

Feb 13	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	[illegible] - 6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	-	-	[illegible]	[illegible]	-	-
Bank Bills	-	-	[illegible]	[illegible]	[illegible]	-
Local authority deps.	[illegible] - 7	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Market deps	[illegible]	[illegible]	-	-	-	-

UK clearing bank base lending rate 7¼ per cent from Nov 6, 1997

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc.
Ave. tender rate of discount on Jan 30, 6.7625pc. ECGD fixed rate Stlg. Export Finance. Make up day Jan 30, 1998. Agreed rate for period Feb 25, 1998 to Mar 24, 1998, Scheme III 6.81pc. Reference rate for period Jan 1, 1998 to Jan 30, 1998, Schemes IV & V 7.569pc. Finance House Base Rate 8pc from Feb 1, 1998

BANK OF ENGLAND TREASURY BILL TENDER

	Feb 13	Feb 6
Bills on offer	£100m	£100m
Total of applications	£423m	£494m
Total allocated	£100m	£100m
Min. accepted bid	£98.275	£98.300
Allotment at min. level	61%	23%

	Feb 13	Feb 6
Top accepted rate	6.9190%	6.8186%
Ave. rate of discount	6.8817%	6.7625%
Average yield	7.0016%	6.6785%
Offer at next tender	£100m	£100m
Min. accept. bid 28 days	-	-

■ **Pound in New York**

Feb 13	-- Close --	- Prev. close -
£ spot	1.6415	1.6385
1 mth	1.6392	1.6361
3 mth	1.6341	1.6310
1 yr	1.6147	1.6115

FT GUIDE to WORLD CURRENCIES

The FT Guide to World Currencies table can be found on the Markets page in today's edition.

BASE LENDING RATES

	%		%		%
Adam & Company	7.25	Exeter Trust Limited	8.25	●Singer & Friedlander	7.25
Allied Irish Bank (GB)	7.25	Financial & Gen Bank	8.00	●Smith & Williamson	7.25
●Henry Ansbacher	7.25	●Robert Fleming & Co	7.25	Sun Banking Corp Ltd	7.25
Banco Bilbao Vizcaya	7.25	●Guinness Mahon	7.25	TSB	7.25
Bank of Cyprus	7.25	Habib Bank AG Zurich	7.25	United Bank of Kuwait	7.25
Bank of Ireland	7.25	●Hambros Bank	7.25	Unity Trust Bank Plc	7.25
Bank of India	7.25	Heritable & Gen Inv Bk	7.25	Whiteaway Laidlaw	7.25
Bank of Scotland	7.25	C. Hoare & Co	7.25	Yorkshire Bank	7.25
Barclays Bank	7.25	Hongkong & Shanghai	7.25		
Brit Bk of Mid East	7.25	Investec Bank (UK) Ltd	7.25	● Members of London Investment Banking Association	
●Brown Shipley & Co Ltd	7.25	Julian Hodge Bank	7.25	* In administration	
Citibank NA	7.25	●Leopold Joseph & Sons	7.25		
Clydesdale Bank	7.25	Lloyds Bank	7.25		
The Co-operative Bank	7.25	Midland Bank	7.25		
Coutts & Co	7.25	NatWestminster	7.25		
Cyprus Popular Bank	7.25	●Rea Brothers	7.25		
Duncan Lawrie	7.25	Royal Bk of Scotland	7.25		
		Scottish Widows Bank	7.25		

OTHER STATISTICS

STOCK INDICES

	Feb 13	Feb 12	Feb 11	Feb 10	Feb 9	1997/98 High	1997/98 Low	Since comp. High	Since comp. Low
FTSE 100	5582.3	5562.6	5607.9	5613.3	5600.9	5628.7	5068.6	5628.7	986.9
FTSE 250	4990.2	4983.9	4991.5	4987.0	4978.3	4991.5	4789.2	4991.5	1379.4
FTSE 250 ex IT	5018.5	5011.5	5016.4	5012.8	5004.9	5018.6	4806.3	5018.6	1378.3
FTSE 350	2663.7	2651.5	2673.9	2675.5	2669.6	2680.3	2444.7	[illegible]	664.5
FTSE SmallCap	2426.00	2425.11	2423.86	2416.91	2416.69	2426.00	2320.18	2426.00	1363.79
FTSE SmallCap ex IT	2417.52	2414.88	2410.82	2407.97	2405.45	2417.52	2316.19	2417.52	1363.79
FTSE All-Share	2595.06	2584.61	2604.98	2606.18	2600.77	2607.88	2390.32	2607.88	61.92

	Feb 13	Feb 12	Feb 11	Feb 10	Feb 9	1997/98 High	1997/98 Low	Since comp. High	Since comp. Low
FTSE Fledgling	1317.41	1316.29	1315.58	1313.73	1310.71	1317.41	1285.77	1346.62	31.14
FTSE Eurotop 100	2492.58	2478.54	2512.77	2491.19	2498.34	2512.77	2236.40	2512.77	2844.47
FTSE Eurotop 300	1079.71	1075.10	1088.12	1080.15	1079.19	1088.12	971.93	1088.12	874.08
FT 30	3446.1	3428.5	3449.3	3437.8	3446.3	3492.5	3235.4	3492.5	49.4
FT Govt Securities	103.96	103.90	103.84	103.39	102.94	103.96	101.52	127.40	49.18
FT Fixed Interest	139.33	139.03	138.88	138.12	137.60	139.33	135.65	139.33	50.53
FTSE Gold Mines	1069.82	1099.08	1087.84	1113.58	1125.11	1125.59	929.38	2874.61	993.02

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1997/98 High	1997/98 Low	Stock	Closing price p	+or-
190	Nil	4/3	12½pm	9½pm	Minerva	12½pm	+1
18.5	Nil	27/2	2pm	1¼pm	Pentex Energy	[illegible]	

pm premium.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1997/98 High	1997/98 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	43.8	100	91½	Athlone Extrus	95		-	-	-	15.6
-	F.P.	843.6	96	95	Bass B	96		-	-	-	-
-	F.P.	2,860	520	500	Diageo B	520	+2½	-	-	-	-
§100	F.P.	82.7	105½	93	Eurosov Energy	92½		-	-	-	-
§198	F.P.	349.0	202½	189	Monsoon	193		14.0	2.2	2.6	22.1
-	F.P.	8.92	62½	57½	Richards Grp	60½		-	-	-	-
§	F.P.	-	8	4½	Sanctuary Wts	4¾	-¼	-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

BANK RETURN

BANKING DEPARTMENT	Wednesday February 11,1998	Increase or decrease for week
Liabilities	£	£
Capital	14,553,000	
Public deposits	1,211,321,722	-62,382,947
Bankers deposits	2,771,253,165	[illegible]
Reserve and other accounts	6,638,418,071	+49,273,896
	10,635,545,958	+118,722,689
Assets		
Government securities	1,367,560,743	-1,690,000
Advance and other accounts	8,808,808,506	+117,334,533
Premise, equipment and other secs	451,257,269	+110,915
Notes	7,809,345	+3,000,684
Coin	110,093	-33,463
	10,635,545,959	+118,722,689
ISSUE DEPARTMENT		
Liabilities		
Notes in circulation	22,012,190,655	-63,000,684
Notes in Banking Department	7,809,345	+3,000,684
	22,020,000,000	-60,000,000
Assets		
Other Government securities	1,813,577,334	-869,889,235
Other Securities	20,206,422,666	+809,889,235
	22,020,000,000	-60,000,000

FTSE GOLD MINES INDEX

	Feb 13	% chg since 31/12/97	Mkt Cap $bn	% of Gold Mines	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (32)	1069.82	+3.8	31.68	100.00	2.59	-	1987.49	891.22
■ Regional Indices								
Africa (14)	1133.51	+2.8	7.78	24.57	5.75	20.80	2333.56	921.78
Australasia (7)	1352.83	+17.0	3.86	12.21	2.56	17.77	2124.22	933.63
North America (11)	1066.39	+2.3	20.02	63.23	1.22	39.82	1780.65	864.86

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UK GILTS PRICES

	Notes	Price £	Wk % +/-	Amnt £m	Interest due	Last xd	City line
Shorts" (Lives up to Five Years)							
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Other Fixed Interest

	Notes	Price £	Wk % +/-	Amnt £m	Interest due	Last xd	City line
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

● 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Weekly percentage changes are calculated on a Friday to Friday basis. ‡ Indicative price.

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	Wk% ch'nge	Div net	Div cov	Mkt cap£m	Last xd	City line
Allied Domecq	♣N	530xd	-6.5	Q24.44	1.6	5,517	24.11	1556
Bulmer (HP)	♣†	583½xd	5.4	14.82	2.2	191.9	12.1	2005
Burn St Dei	♣	30	-3.2	3.4	0.8	17.8	27.10	1518
Diageo	♣N	589xd	-7	Q18.0	1.8	18,425	29.9	2791
Glenmorangie A	†	825	-1.2	13.42	3.1	112.2	22.12	3257
B	†	912½	-2.7	8.71	3.1	38.5	22.12	3258
Highland	♣	279	-2	8.9	2.4	372.2	1.12	2890
5¾pc Cnv Bds		94¼	-	Q5¾%	-	46.2	5.1	2823
Kirin Y	5	542½	-4.2	Q24%	-	5,708	25.6	1119
Matthew Clark	♣	194xd	8.9	20.0	1.5	171.7	29.12	2163
Merrydown	♣	47½	-15.2	2.1	-	5.18	21.7	3352
Seagram C$		£22¼	6.0	Q66c	-	8,294	27.11	-

BANKS, RETAIL

[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

CONSTRUCTION

[illegible]

CONSTRUCTION - Cont.

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ENGINEERING

[illegible]

ENGINEERING - Cont.

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HEALTH CARE - Cont.

[illegible]

HOUSEHOLD GOODS & TEXT

[illegible]

HOUSEHOLD GOODS & TEXT - Cont.

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FTSE Actuaries Share Indices.

INVESTMENT COMPANIES

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

MEDIA - Cont.

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

The Alternative Investment Market, designed primarily for small companies, is regulated by the London Stock Exchange but has less demanding rules than the Official List.

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	Wk% ch'nge	Div net	Div cov	Mkt cap£m	Last xd	City line
Anglo Am Ind R		[illegible]	—	[illegible]	–	1,781	26.8	–
Barlow	♣	[illegible]	-3	[illegible]	–	1,137	8.12	–
Gold Flds Prop R		120½	9.0	[illegible]	1.5	12.3	1.5	–
SA Brews	†	[illegible]	-4.8	[illegible]	–	4,888	1.12	4115
Standard Bank		[illegible]	9.8	[illegible]	–	3,723	[illegible]	–
Tiger Oats		[illegible]	1.0	[illegible]	♦	1,481	8.12	–
Tongaat-Hulett		702½	0.9	[illegible]	♦	780.7	8.12	–

TRADED INDEX SECURITIES

	Notes	Price	Wk% ch'nge	Div net	Div cov	Mkt cap£m	Last xd	City line
FTSE 100 TRANS		[illegible]	—	–	–	–	24.11	–

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise indicated. For FTSE index constituents and reserves, last trade prices at or prior to market close are shown, as these shares are now traded on the Stock Exchange Electronic Trading System ("SETS")

Net dividends are shown in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Dividend covers are calculated on a "net" basis.

Market capitalisations shown are calculated separately for each line of stock quoted.

† Interim since increased or resumed
‡ Interim since reduced, passed or deferred
♦ Figures or report awaited
♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange
♣ Free annual/interim report available, see details below
‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
# Price at time of suspension
¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
♦ Merger bid or reorganisation in progress
§ Forecast dividend; cover based on earnings updated by latest interim statement.
♠ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. d Assumed dividend. E Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings.

z Dividend includes a special payment: Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1998-99. G Assumed dividend after pending scrip and/or rights issue. H Dividend based on prospectus or other official estimates for 1997. K Dividend based on prospectus or other official estimates for 1999. L Estimated annualised dividend, cover based on latest annual earnings.

M Dividend based on prospectus or other official estimates for 1997-98. N Dividend is paid in whole or part as a FID (Foreign Income Dividend). Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xx ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1485 a year for each security shown, subject to the Editor's discretion.

FT Share Service

The following changes have been made to the FT Share Information Service: **Deletions: Redland** (BdMa), **Northern Ireland** (Elec). **Plasmec** (E&EE). **Proteen** (Eng), **Beatrix, Julia Mines, Kloof** (Exln), **M&G High Inc C** (InTr), **Bancaire Cie** (OtFn).

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OFFSHORE AND OVERSEAS

BERMUDA (FSA RECOGNISED)

BERMUDA (REGULATED)(**)

GUERNSEY (FSA RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (FSA RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (FSA RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (FSA RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (FSA RECOGNISED)

Offshore Funds and Insurances

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Barclays Diversified Portfolio (z)

HSBC Investment Funds Luxembourg SA (u)

Morgan Stanley Sicav - Contd.

ACM Offshore Funds - Contd.

Credit Suisse Asset Mgmt Funds - Contd.

Merrill Lynch Asset Management - Contd.

Target International Ltd

Templeton Emerging Asia

Templeton Russian & East European Debt Fd

Tower Fund

Tweedy, Browne Value Funds

Friends Provident International

General International Limited

LUXEMBOURG (REGULATED)(**)

ACM Offshore Funds

OFFSHORE INSURANCES

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

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Professional Investment Consultants

	Selling Price	Buying Price	Yield Gross	City-Line
Premier Lux $	$1.1	1.16	-	49491
Premier Lux £	£0.6	0.63	-	47967
PCI Worldwide Opps	£1.330	1.430	-	49492
CPILA Flexible Growth	$1.052	1.132	-	51574

Royal Life International

Royal Court, Arbory Rd, Castletown IoM 01624 821212

	Selling Price	Buying Price	Yield Gross	City-Line
Pension Growth A	£1.870	2.011	-	45718
Pens Growth (Bonus)	£1.754		-	45719
Royal Life UK Mngd Fd	£2.698	2.869	-	45720
Royal Life Gilt Fd	£2.738	2.943	-	45721
Royal Life UK Eq Fd	£2.622	2.820	-	45722
[illegible]	£2.759	2.967	-	45724
Rtl Life Intl Gwth Fd	£1.602	1.723	-	45726
THA Growth Fd	£1.337	1.438	-	45729
S.A.M. 1	$1.982	2.087	-	47847
S.A.M. 2	$1.460	1.537	-	47848
S.A.M. 3	£2.411	2.538	-	47849
S.A.M. 4	£1.895	1.995	-	47850

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Feb 13 / Sch)

BELGIUM/LUXEMBOURG (Feb 13 / Frs.)

CZECH REP (Feb 13 / Koruna)

DENMARK (Feb 13 / Kr)

FINLAND (Feb 13 / Mks)

FRANCE (Feb 13 / Frs.)

		+/-	High	Low	Yld	P/E
AGF	327	+.80	337.20	165.20	1.6	29.0
Accor	1,248	+5	1,285	723	1.6	38.5
AirLiq	923	-3	1,024	782	1.5	24.3
Alctel	757	-6	887	655	1.3	26.8
ArgPri	1,321	...	1,872	1,201	29.2	
Axa	534	+6	540	337.40	1.4	28.2
BIC	422	-1	543	328.80	1.4	17.1
BNP	323.20	+5.60	353	219	1.7	17.4
BFaure	405	+3.90	439.50	240	1.0	22.9
Bongrn	2,787	-1	2,839	2,010	2.2	16.5
Bygues	610	-4	828	470.10	2.1	30.0
CGIP	2,305	-38	2,373	1,551	1.7	11.5
CPR	468	+2	515	409	4.7	13.5

GERMANY (Feb 13 / Dm.)

GREECE (Feb 13 / Drachma)

ITALY (Feb 13 / Lira)

NORWAY (Feb 13 / Kroner)

NETHERLANDS (Feb 13 / Fls.)

POLAND (Feb 13 / Zloty)

PORTUGAL (Feb 13 / Escudo)

SPAIN (Feb 13 / Pts.)

SWEDEN (Feb 13 / Kronor)

SWITZERLAND (Feb 13 / Frs.)

TURKEY (Feb 13 / Tk Lira)

PACIFIC

JAPAN (Feb 13 / Yen)

AUSTRALIA (Feb 13 / AustS)

		+/-	High	Low	Yld	P/E
Abtgyl	2.30	-10	4	2.19	4.8	24.5
Acacia	1.83	-.08	2.45	1.04	...	...
Amcor	6.96	-15	9.06	6.14	7.2	...
Ashton	1.55	-05	2.28	1.23	3.9	25.9
ANZ Bk	9.84		11.58	7.58	5.0	12.3
AusFou	2.80		3.05	1.96	3.8	28.3
AusGlt	11.41	-14	11.60	6.91	4.2	22.4
ANI	1.42	-01	1.85	1.24	1.4	36.4
AProvN	2.49	-02	2.60	2.03	3.3	...
BHP	14.48	-42	20.05	12.30	3.5	18.0
Beacn	1.08	+01	2.15	0.90	...	...
Boral	3.80	-.02	4.48	3.25	4.2	10.1
BougCp	0.46	...	0.70	0.40	...	...
Brmble	29.20	+.05	31.20	19.50	3.5	26.8
BrenZ	1.03	-02	1.32	0.85	8.7	...
BresPh	0.24	+02	2.68	0.18	17.0	...
CSR	4.86	-.14	5.93	3.80	6.1	22.6
Caltex	5	+.04	5.20	3.69	6.0	21.1
CpProp	2.31xd	+.01	2.50	2.10	7.8	...
CarltHH	2.40	-08	3.42	2.10	2.4	...
CCAmat	12.20	-38	17.40	9.40	2.1	38.9
ColesM	7.38	-09	8.01	5.04	3.0	21.7
Cmal	4.16		4.57	3.76	1.7	46.3
Cmalco	6.68	-12	7.46	4.80	1.2	12.7
CommBk	18.26	-02	18.80	12.26	5.6	15.5
Cultus	2.65		4.10	1.80	...	...
Davids	1.17	+.02	1.72	0.53	4.3	...
DeltaG	1.78	-06	2.46	0.80	...	...
Email	3.59	+.02	5	3.15	6.0	18.8
FAI	0.49	-01	0.75	0.45	3.1	10.9
FC Bld	3.67	...	4.80	3	5.1	...
FC En	5.75	-05	7.21	3.14	2.8	...
FC Fst	1.23	-.02	3	1.08	4.3	...
FC Pap	2.15	...	3.30	1.80	1.2	...
Foxth	3.13	-03	3.53	2.87	3.0	...
Fauldg	7.60	-28	8.33	6.48	2.5	23.0
Fdland	11.17	-03	12.08	6.05	2.7	...
Fosters	3.12	+.02	3.25	2.30	3.5	24.4
Fruinc	4.74	-.05	4.80	2.70	5.0	19.5
GnPrTr	2.78xd	+.02	3	2.32	7.3	13.8
GIOAus	4.01	-.03	4.52	3.07	5.2	10.8
Gandel	1.14xd		1.16	0.89	6.9	15.9
Gldfld	1.36	-02	2.19	0.75	2.2	26.7
GdmanF	2.39	-02	2.60	1.47	2.7	26.6
GtCentM	2.09	-07	3.38	1.36	2.9	13.6
HrdieJ	4.45	-07	5.75	3.58	3.1	21.0
Jupitr	2.30	...	3.58	2.45	3.8	...
Kidstn	0.46	-.04	1.46	0.41	...	7.7
LendLs	34.20	+60	34.52	21.08	2.9	26.6
Lion N	3.58	-02	3.85	2.80	4.5	...
MIM	0.85	-.01	2.10	0.73	2.9	22.5
Maynelt	7.97	-03	8.15	6	4.9	21.5
McPhsn	1.55	-05	3.85	1.40	...	7.4
MetIM	2.25	-.15	3.40	1.90	4.8	10.2
NAB	19.25	-14	22.85	15.20	4.9	12.7
NzzCon	0.73	-02	1.11	0.38	5.5	43.2
NstNws	3.01xd	-07	3.15	1.80	2.8	17.3
NatFdc	2.56	-.05	2.70	1.40	2.8	9.4
Norcst	1.93	...	5.36	1.22	6.5	21.7
NewsCp	9.45	+10	9.65	5.83	0.3	27.3
NormMn	1.56	-07	1.91	1.22	4.9	20.0
North	4.14xd	-01	5.28	3.26	4.6	21.9
OPSM	4	+05	4.15	2.72	3.8	26.7
Orbtl	0.90	+.03	1.25	0.65	...	...
Orica	10.28	-.22	13.57	9.50	4.7	22.6
PMPCom	3.20	-08	3.75	2.50	6.4	16.8
PacDun	2.70	-28	3.88	2.70	8.9	15.6
Psnneo	1.62	-03	2.74	1.45	3.8	20.5
Ponth	3.96	-05	5.26	3.19	5.8	16.4
Ptmnc	4.75	+11	5.40	1.95	...	21.9
PubBrz	7.48	-.02	9.36	6.20	2.4	13.6
QBE In	6.10	-04	7.87	3.96	4.8	11.5
QCT Rs	1.29	-02	1.81	1.10	8.3	11.4
QNI	1.02	-.03	2.85	0.79	2.9	13.1
Qantas	2.33	+.02	3.21	2.13	7.1	9.9
RGC	2.40	-.10	5.65	2.08	6.2	...
RioTin	19.20	+.20	23.35	15.30	3.4	15.4
Rothmn	8.81	-04	9.20	6.70	9.4	17.3
Santos	5.94	+.02	7.47	4.40	4.2	15.0

HONG KONG (Feb 13 / H.K.$)

INDONESIA (Feb 13 / Rupiah)

MALAYSIA (Feb 13 / MYR)

NEW ZEALAND (Feb 13 / NZ $)

SINGAPORE (Feb 13 / S$)

SOUTH KOREA (Feb 13 / Won)

TAIWAN (Feb 13 / TW $)

THAILAND (Feb 13 / Baht)

		+/-	High	Low	Yld	P/E
AdvInF	308	-22	410	132	1.9	...
BgkBkF	137	-7	300	80	2.2	
BgkLdF	4.40	...	27	2.30	...	4.4
DSiamF	18.75xd	-0.25	60	7	10.7	2.8
KrTh F	15.75xr	-.50	46	9.60	8.8	...
LndHsF	29.25	-.25	101.25	8.50	17.1	...
PhThaF	58	-.50	83	19	4.8	6.3
SmCemF	532	-62	824	167	3.8	10.6
SiamC	124	...	143.10	45	6.5	...
SmCBkF	99	-4	177.50	47.25	7.1	4.9
TeleAs	22	-.50	50.60	8.40	...	37.9
ThFrmF	121	-8	190	53.50	5.0	8.4

NORTH AMERICA

CANADA

TORONTO (Feb 13 / Can $)
4 pm close

Sales			+/-	High	Low
310798	AbibiC	20.4	-.15	26.8	16.4
30462	AgnEag	8.15	-.1	20.25	8.2
2546865	AirCda	13.9	+.6	16.4	6.55
353083	AlbtaE	31.25	-.05	35.5	25.75
155248	AlcnAl	45.25	-.45	55.7	35.1
1393050	AndExp	15.6	-.25	19.3	12.5
14380	AtcoCl	37		38	24
187503	Avenor	24.35	-.16	29.7	18.55
71614	BC Tel	45.15	+.15	47	27.85

AFRICA

SOUTH AFRICA (Feb 13 / Rand)

		+/-	High	Low	Yld	P/E
SafRen	9.10	-.30	12.60	7.70	4.5	9.2
Sasmcr	25	...	57	19.80	2.8	11.7
SmthFd	77.50	-1.10	87.50	55	2.6	12.9
SmthCG	22	...	27.75	16.90	2.8	12.8
SABrew	125	-2.20	151	107.20	2.4	19.7
SLife	49.50	+.40	53.10	29	3.9	18.5
Simi	82xd	-1.60	146	58.50	11.3	8.8
St Hel	12.50xd	+.35	29	11	21.8	3.3
StandB	251.40	+6.40	295	178	2.0	15.8
TigOat	75.40	-.60	83.75	50	2.0	17.4
TngHul	56	+1	82	49	3.3	9.7
VReefs	213xd	...	350	149	7.7	13.0
W Area	27.50	-.50	84.50	20	1.5	27.1
W Deep	101xd	...	157.75	70	7.7	13.0
Woltrs	16.70	-.80	30	15.20	2.7	10.4

Prices supplied by Extel, part of FT Information.

NOTES - Prices on this page are as quoted on the individual exchanges and are usually last traded prices. * Calendar year high and low. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. y Prices in US $

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FT/S&P ACTUARIES WORLD INDICES

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NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY FEBRUARY 13 1998 US Dollar Index	%chg since 31/12/97	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 31/12/97	Gross Div. Yield	THURSDAY FEBRUARY 12 1998 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (73)	206.50	8.2	187.12	163.64	195.85	204.48	0.1	3.72	210.51	190.32	164.47	198.05	206.48	243.87	190.26	221.28
Austria (23)	196.57	4.0	178.12	155.77	186.43	186.32	5.5	1.81	197.62	178.67	154.40	185.93	185.83	213.56	175.14	182.85
Belgium (26)	273.46	7.5	247.79	216.70	259.35	253.85	9.2	2.71	274.13	247.84	214.18	257.92	252.52	275.09	227.73	229.69
Brazil (30)	235.46	-1.2	213.36	186.59	223.31	488.58	-0.3	1.72	235.19	212.63	183.75	221.28	487.56	322.44	184.94	235.66
Canada (121)	220.48	3.8	199.79	174.72	209.11	230.30	4.6	1.73	221.57	200.32	173.11	208.47	230.70	233.66	178.27	203.24
Denmark (34)	457.50	2.2	414.56	362.54	433.90	432.59	3.8	1.18	461.78	417.49	360.78	434.46	433.17	468.39	348.27	367.22
Finland (28)	326.65	17.3	296.00	258.85	309.80	379.58	19.2	1.70	322.57	291.63	252.02	303.48	371.75	349.43	243.25	261.31
France (61)	246.64	3.1	223.49	195.44	233.92	236.62	4.8	2.27	248.64	224.79	194.26	233.93	236.54	253.84	209.81	220.94
Germany (58)	239.80	4.5	217.29	190.03	227.43	227.43	6.0	1.33	243.53	220.17	190.27	229.13	229.13	247.28	191.91	194.13
Hong Kong, China (66)	332.29	-6.9	301.10	263.32	315.15	330.19	-7.0	4.83	344.33	311.30	269.02	323.96	342.16	580.03	262.93	486.00
Indonesia (27)	42.64	-35.5	38.64	33.79	40.45	245.91	10.4	2.74	50.46	45.62	39.42	47.48	239.91	254.90	27.67	251.33
Ireland (16)	444.11	10.6	402.44	351.94	421.21	456.44	15.0	2.17	444.35	401.73	347.17	418.06	452.60	453.99	321.33	337.19
Italy (54)	133.23	13.2	120.73	105.58	126.36	179.18	15.3	1.33	134.41	121.52	105.01	126.46	179.28	135.83	83.01	92.72
Japan (481)	106.28	11.5	96.31	84.22	100.80	84.22	7.5	0.84	109.33	98.84	85.42	102.86	85.42	141.12	88.52	113.08
Malaysia (107)	201.02	22.8	182.15	159.29	190.65	297.31	20.6	2.47	208.13	188.17	162.61	195.82	301.71	660.85	113.56	650.25
Mexico (29)	1549.25	-14.1	1403.85	1227.69	1469.35	14347.04	-9.7	1.57	1575.57	1424.43	1230.97	1482.35	14552.89	1901.98	1326.15	1379.06
Netherlands (19)	418.38	2.1	379.12	331.54	396.80	392.62	3.5	2.17	421.35	380.94	329.20	396.43	392.26	440.67	330.32	340.59
New Zealand (14)	77.53	1.5	70.26	61.44	73.54	70.65	1.1	4.38	77.83	70.36	60.81	73.22	70.63	96.47	71.49	89.94
Norway (38)	296.91	-7.0	269.04	235.28	281.60	305.71	-4.3	2.04	297.25	268.73	232.23	279.68	303.58	374.64	261.62	311.10
Philippines (22)	88.21	11.2	79.93	69.90	83.66	177.05	12.2	1.14	92.26	83.41	72.08	86.80	184.83	208.68	57.54	208.56
Singapore (42)	210.30	-6.6	190.56	166.65	199.46	161.12	-7.8	1.89	218.87	197.87	171.00	205.92	168.52	448.01	144.01	444.38
South Africa (43)	273.91	3.2	248.21	217.06	259.79	295.66	4.7	2.89	272.75	246.59	213.10	256.61	293.99	370.12	227.66	360.74
Spain (33)	300.18	10.4	272.01	237.88	284.70	351.81	12.1	1.99	300.54	271.71	234.81	282.76	349.32	307.66	206.12	214.36
Sweden (49)	492.83	5.0	446.58	390.54	467.42	591.99	7.3	1.80	493.31	445.99	385.42	464.12	589.47	538.94	405.00	430.10
Switzerland (31)	373.95	9.7	338.86	296.34	354.67	339.57	10.2	0.99	375.17	339.18	293.12	352.97	337.75	375.77	245.34	249.04
Thailand (39)	28.50	47.7	25.83	22.59	27.03	51.28	42.2	5.62	30.98	28.01	24.20	29.15	53.92	85.40	13.10	75.46
United Kingdom (213)	356.37	7.4	322.92	282.40	337.99	322.92	8.0	3.05	355.31	321.23	277.60	334.29	321.23	361.76	271.72	280.85
USA (639)	416.85	5.2	377.73	330.33	395.36	416.85	5.2	1.51	418.34	378.22	326.85	393.59	418.34	418.34	299.79	329.69
Americas (818)	377.60	4.8	342.16	299.23	358.12	318.98	4.9	1.52	379.00	342.64	296.11	356.57	320.11	379.00	274.59	302.03
Europe (703)	308.26	6.6	279.33	244.28	292.37	295.46	7.8	2.18	309.32	279.65	241.67	291.02	294.71	313.00	237.94	243.41
Nordic (149)	433.24	5.1	392.59	343.32	410.90	452.33	7.3	1.70	433.34	391.77	338.56	407.70	449.53	464.93	355.77	374.74
Pacific Basin (871)	115.10	8.7	104.30	91.21	109.16	92.85	5.4	1.59	118.46	107.10	92.55	111.45	94.32	158.99	95.32	134.94
Euro-Pacific (1574)	195.67	7.3	177.31	155.06	185.58	169.04	7.0	1.97	198.08	179.08	154.76	186.36	169.69	208.12	172.03	180.13
North America (759)	404.29	5.1	366.35	320.38	383.44	404.29	5.1	1.52	405.76	366.84	317.02	381.76	405.70	405.76	292.34	322.23
Europe Ex. UK (490)	275.71	8.2	249.84	218.49	261.49	273.08	7.7	1.69	277.67	251.03	216.94	261.24	272.81	279.99	213.38	217.97
Pacific Ex. Japan (390)	199.00	-0.7	180.32	157.69	188.73	198.37	-1.9	3.83	205.22	185.54	160.34	193.08	202.80	318.98	161.31	315.97
World Ex. US (1797)	198.92	6.8	180.26	157.64	188.67	175.59	6.8	1.96	201.24	181.94	157.23	189.33	176.23	212.89	175.30	184.21
World Ex. UK (2222)	260.86	5.8	236.37	206.71	247.40	237.45	5.6	1.57	263.15	237.91	205.60	247.58	238.56	263.15	211.16	225.97
World Ex. Japan (1954)	350.51	5.2	317.62	277.76	332.43	345.84	5.5	1.84	352.12	318.34	275.11	331.29	346.68	352.12	271.90	290.54
The World Index (2435)	268.95	5.9	243.71	213.13	255.08	245.15	5.8	1.73	270.97	244.68	211.71	254.94	248.04	271.04	216.61	230.67

 CONSTITUENT CHANGE WITH EFFECT 13/2/98: Name changes: Storli 'A' & 'B' to Odfjell 'A' & 'B' (Norway). Share change: Securities One 237,920,000 has been changed to 113,334,355 (Thailand). CONSTITUENT CHANGES WITH EFFECT 16/2/98: Deletion: Bertrand Faure SA (France).

Emerging markets: IFC investable indices

Dollar terms

Feb 12 Market		Day's % chg	% Chg since 31/12/96
Latin America			
Argentina	1,105.80	-0.3	-0.8
Brazil	475.44	-1.1	-1.5
Chile	553.69	-0.4	-13.9
Colombia[1]	655.93	-3.0	-30.5
Mexico	682.05	-0.7	-13.5
Peru[2]	221.16	-0.1	-8.1
Venezuela[3]	707.17	-5.2	-22.7
East Asia			
China[4]	51.06	-1.2	-7.7
Korea[5]	34.62	-2.8	-44.1
Philippines	129.02	-5.5	-14.4
Taiwan, China[6]	156.93	-0.7	+11.2
South Asia			
India[7]	75.45	-0.1	-9.5
Indonesia[8]	35.20	-14.2	-21.0
Malaysia	116.02	-10.0	-27.3
Pakistan[9]	242.48	-0.8	-2.0
Sri Lanka[10]	112.16	-0.9	-3.6
Thailand	75.60	-5.7	-23.3
Europe/Mideast/Africa			
Czech Rep	53.06	-3.3	-3.1
Egypt	87.20	-0.5	-6.6
Greece	334.34	-0.5	+3.2
Hungary[11]	284.45	-2.2	-6.4
Israel	107.15	-0.1	-12.0
Jordan	206.33	-0.1	-1.9
Morocco	134.86	-0.8	-3.5
Poland[12]	631.88	-0.1	+15.9
Portugal	243.76	-0.5	-15.5
Russia	115.33	-3.7	-22.4
S Africa[13]	193.76	-1.2	-6.1
Slovakia	90.27	-0.6	-9.0
Turkey[14]	245.83	+2.7	-20.9
Zimbabwe[15]	282.05	-1.0	-12.1
Regions			
Composite	242.77	-1.8	-1.3
Latin America	617.94	-0.9	-8.8
Asia	123.21	-4.5	+14.4
EMEA	143.16	-0.7	-3.1

Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1992; (15)Aug 2 1993; (16) July 2 1993.
Latest indices were unavailable for this edition.

4 pm close February 13

NEW YORK STOCK EXCHANGE PRICES

Price data supplied by Exst, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1997. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. ss-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
‡ Dealings suspended.

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GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Feb 13	Feb 12	Feb 11	1997/98 High	1997/98 Low	Since compilation High	Since compilation Low
Industrials	8370.10	8369.60	8314.55	8370.10 (13/2/98)	8391.69 (11/4/97)	8370.10 (13/2/98)	41.22 (8/7/32)
Home Bonds	105.25	105.03	105.15	105.48 (15/1/98)	101.09 (14/4/97)	106.48 (15/1/98)	54.99 (1/10/81)
Transport	3543.27	3575.07	3494.50	3575.07 (12/2/98)	2222.07 (2/1/97)	3575.07 (12/2/98)	13.23 (8/7/32)
Utilities	268.02	268.37	267.11	272.61 (31/12/97)	208.47 (25/4/97)	272.61 (31/12/97)	16.53 (8/7/32)

DJ Ind. Day's high 8416.43 (8412.20) Low 8289.21 (8208.93) (Theoretical‡)
Day's high 8374.83 (8390.27) Low 8311.81 (8238.32) (Actual‡)

Standard and Poors	Feb 13	Feb 12	Feb 11	1997/98 High	1997/98 Low	Since compilation High	Since compilation Low
Composite‡	1020.09	1024.14	1020.01	1024.14 (12/2/98)	737.01 (2/1/97)	1024.14 (12/2/98)	4.40 (1/6/32)
Industrials¶	1189.06	1193.20	1188.70	1193.20 (12/2/98)	865.42 (11/4/97)	1193.20 (12/2/98)	3.62 (30/6/32)
Financial¶	121.93	122.37	121.98	122.37 (12/2/98)	80.75 (2/1/97)	122.37 (12/2/98)	7.13 (4/3/74)
Others							
NYSE Comp.	531.28	532.61	530.75	532.61 (12/2/98)	389.47 (11/4/97)	532.61 (12/2/98)	4.84 (28/4/42)
Amex Comp	683.89	685.15	684.33	721.80 (7/10/97)	541.20 (28/4/97)	721.80 (7/10/97)	524.20 (18/7/98)
NASDAQ Cmp	1710.42	1714.34	1706.55	1745.85 (9/10/97)	1201.00 (2/4/97)	1745.85 (9/10/97)	54.87 (3/10/74)
Russell 2000	454.29	452.40	452.02	465.21 (13/10/97)	335.85 (25/4/97)	465.21 (13/10/97)	123.38 (7/12/93)

■ RATIOS

	Feb 6	Jan 30	Jan 23	Year ago
Dow Jones Ind. Div. Yield	1.69	1.74	1.79	1.95
	Feb 11	Feb 4	Jan 28	Year ago
S & P Ind. Div. yield	1.42	1.43	1.47	1.73
S & P Ind. P/E ratio	27.61	27.31	26.53	24.83

US DATA

■ MARKET ACTIVITY

● Volume (million)	Feb 13	Feb 12	Feb 11
NYSE	534.596	611.460	698.300
Amex	24.790	32.115	24.013
NASDAQ	688.007	778.712	789.780

NYSE	Feb 13	Feb 12	Feb 11
Issues Traded	3,418	3,440	3,455
Rises	1,362	1,439	1,529
Falls	1,491	1,423	1,347
Unchanged	565	578	580
New Highs	176	184	107
New Lows	13	13	13

■ NYSE TRADING ACTIVITY — Volume : 534,596,000

■ ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
Compaq	8,259,800	35⅝	-⅛
Comp Assoc	6,545,000	48⅝	-1¼
Philip Sw	6,248,100	9⅞	+⅜
Arden Rty	4,830,800	28⅝	+⅛
Fort James	4,802,200	44⅛	+⅜
McDonalds	4,287,500	53(3)%	+2
Boeing	3,976,500	50¾	+1⅝
Utd Health	3,807,900	58⅛	+2¼
Tenneco	3,805,600	40⅝	-1⅛
Eli Lilly	3,421,600	63⅜	-1

■ BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
Sterling Stwr	48⅝	+7⅝	+18.6
Varco Intl	24⅝	+2⅞	+13.8
Mercury Gen	55⅝	+5⅝	+11
Fred Meyer	40⅞	+2⅞	+7.1
Downs			
Dimon	17⅞	-4⅛	-18.7
Deco Trust	19	-2⅞	-11.4
Hambrecht Qu	32⅝	-2½	-7.2
Kyocera	96	-7	-6.8

■ NASDAQ TRADING ACTIVITY — Volume : 688,007,000

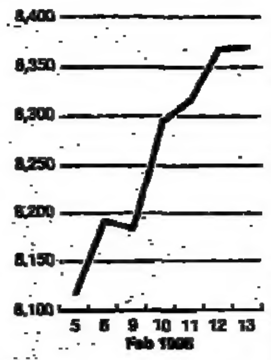
■ ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
Cap Auto	14,087,400	16⅞	+1⅞
Three Com	10,174,800	34⅝	-⅜
Applied Mat	9,785,000	37½	+⅜
Intel	9,741,900	83⅝	-1⅛
Informix	9,235,600	8⅞	
Ascend Com	8,119,700	34⅝	+1⅛
Worldcom	6,885,100	37⅞	-⅜
Oracle	6,008,100	26⅝	-⅜
Crest Tech	5,749,800	23⅝	+⅞
Tellabs	5,846,100	57⅞	+1⅝

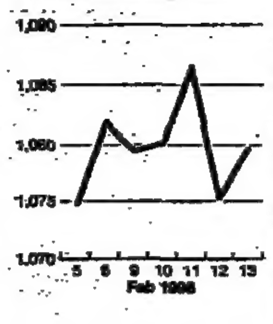
■ BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
Siebert Fin	16⅞	+6⅛	+57.8
Micromuse	18⅝	+6⅝	+57.3
Frnt Coating	18⅛	+6⅛	+40.9
Samsay Food	25	+2⅝	+13
Downs			
Versatility	3⅛	-2⅛	-43.3
Logility	9⅝	-4	-30.2
Simon Tms A	13⅝	-3⅝	-21.9
Dvest Comm	67	-5⅞	-7.9

Dow Jones



FTSE Eurotop 300



JAPAN

	Feb 13	Feb 12	Feb 11	1997/98 High	1997/98 Low	Since compilation High	Since compilation Low
Nikkei 225	16791.01	17174.93	closed	20681.1	14664.4	38915.9	85.25

Day's high: 17161.14 Day's low: 16711.09

■ TOKYO TRADING ACTIVITY — Volume : 640,000,000

■ ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
Yamaichi Sec	34,183,000	3	
Nip Steel Cp	14,274,000	228	-8
Fuji Bk	12,764,000	626	-24
Sakura Bk	8,480,000	521	-18
Aoki Cp	8,446,000	119	-2
LTCB	8,592,000	338	-39
NKK Cp	8,524,000	155	-4
Fujita Cp	7,981,000	141	-7
Sumo Mt Ind	6,388,000	219	-11
Settsu Cp	5,823,000	164	-3

■ BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
Anest Iwt	395	+80	+25.4
Soda Nikka	382	+77	+25.3
Shinko El	361	+37	+11.4
Karsuma Tsd	290	+29	+11.1
Downs			
Ohkura El	320	-50	-13.5
Yuasa Cp	157	-21	-11.8
Jaban Ken	301	-39	-11.5
Nip Concrete	346	-44	-11.3

FRANCE

	Feb 13	Feb 12	Feb 11	1997/98 High	1997/98 Low	Since compilation High	Since compilation Low
CAC 40	3187.73	3178.70	3240.00	3240	2258.97	3240	984.61

Day's high: 3201.17 Day's low: 3165.48

■ PARIS TRADING ACTIVITY — Volume : 301,318,350

■ ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
Fr Telecom	2,439,206	289.3	+6.2
AGF	659,215	327	+0.8
Rhp-Pocl A	780,782	271	+2.4
Bull	788,090	58.35	-1.65
Michelin	655,211	324	+9
Axa-UAP	641,153	534	-6
B.N.P.	545,694	523.2	+5.5
BI Acme	463,067	648	+3
Cap Gemini	450,261	634	-10
Peugeot	415,734	828	-20

■ BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
Becrex	14.9	+2.45	+18.7
Altran Tec	2525	+365	+16.9
Natl de Nv	138	+18.4	+15.4
Sodecco	10	+0.9	+9.9
Downs			
Girodet	23	-5.5	-19.3
Biopat	302.1	-49.9	-14.2
Locda	111	-9	-7.5
FFP Fonc Fn	298	-24	-7.5

GERMANY

	Feb 13	Feb 12	Feb 11	1997/98 High	1997/98 Low	Since compilation High	Since compilation Low
DAX	4502.48	4536.83	4588.43	4588.43	2848.77	4588.43	931.18

Day's high: 4509.35. Day's low: 4485.96.

■ FRANKFURT TRADING ACTIVITY — Volume : 12,394,201

■ ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
Deutsche Bk	966,479	125	+1
Dt Telekom	831,780	34.6	+0.15
Bayer	583,156	73.8	-0.75
Commzbnk	575,533	66	-0.7
BASF	583,398	63.2	+0.75
Lufthansa Rg	554,121	32.2	-0.2
Dresdner Bk	520,847	84.1	-1.1
Veba	412,263	121.05	-2.65
Siemens	365,795	112.65	-1.15
Bayer Vrnsbk	318,464	125.5	-3.7

■ BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
Nmbrg Bt B	2380	+160	+7.2
Azzeza Prfg	149	+10	+7.2
Bruzzo MV	28	+1.7	+6.5
CEAG Inds	255	+15	+6.3
Downs			
Aixtron	344	-24	-6.6
Moenus Txt	13.8	-0.7	-4.8
Wella	1172	-56	-4.7
Holzmann	423	-20	-4.5

UK

	Feb 13	Feb 12	Feb 11	1997/98 High	1997/98 Low	Since compilation High	Since compilation Low
FTSE 100	5582.3	5552.5	5607.9	5628.7	4056.6	5628.7	986.9

Day's high: 5582.3 Day's low: 5530.8

■ LONDON TRADING ACTIVITY — Volume : 825,500,000

■ ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
Shell T&T	35,975,240	408	-1½
Centrica	27,072,200	106½	-1½
Unilever	24,403,430	502	+2
BT	21,664,750	579¼	+5¾
BTR	16,647,430	162	-3
Lloyds TSB	14,599,910	873	+38
Dares Estates	12,968,900	20¼	+4
BAT Inds	10,531,610	580	+7
Reuters	8,426,757	609½	+19½
Emerald Engy	8,151,089	8½	

■ BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
Tadpole Tch	34½	+7¾	+29.3
Dares Est	20½	+4	+24.2
ES Grp	74½	+7½	+11.2
Character Grp	213	+20½	+10.7
Downs			
SEA Mnl	7½	-5	-40
Joe Vert	18½	-4	-17.8
Alphameric	38	-8	-17.4
Navan Res.	60½	-10	-14.2

INDEX FUTURES

■ S&P 500	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	1026.90	1023.30	-3.40	1028.30	1020.50	107,182	391,333
Jun	1035.00	1034.20	-2.40	1037.50	1031.80	1,068	14,990
■ Nikkei 225	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	17070.0	16720.0	-410	17120.0	16700.0	17,997	192,717
Jun	16940.0	16660.0	-400	16660.0	17030.0	587	51,239

Open interest figures for previous day.

■ CAC-40 (200 x Index)	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Feb	3190.0	3208.0	+22.0	3210.0	3174.0	9,590	39,227
Mar	3198.5	3214.5	+22.0	3218.0	3189.0	282	24,833
■ DAX							
Mar	4533.0	4533.0	+14.0	4545.0	4497.5	21,399	80,370
Jun	4560.5	4564.0	+17.0	4574.0	4539.0	1,511	35,593

■ OMX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Feb	2608.00	2608.00	+16.00	2622.00	2597.00	5,459	25,671
Mar	2621.40	2615.00	+17.00	2621.40	2604.50	2,548	4,645
■ SOFFEX							
Feb	6890.0	6888.0	+39.0	6901.0	6840.0	4,435	19,216
Mar	6885.0	6895.0	+15.1	6950.0	6859.3	978	2,207

WORLD MARKETS AT A GLANCE

Country	Index	Feb 13	Feb 12	Feb 11	1997/98 High	1997/98 Low	Yield	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

NASDAQ NATIONAL MARKET

4 pm close February 13

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMEX PRICES

4 pm close February 13

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EASDAQ

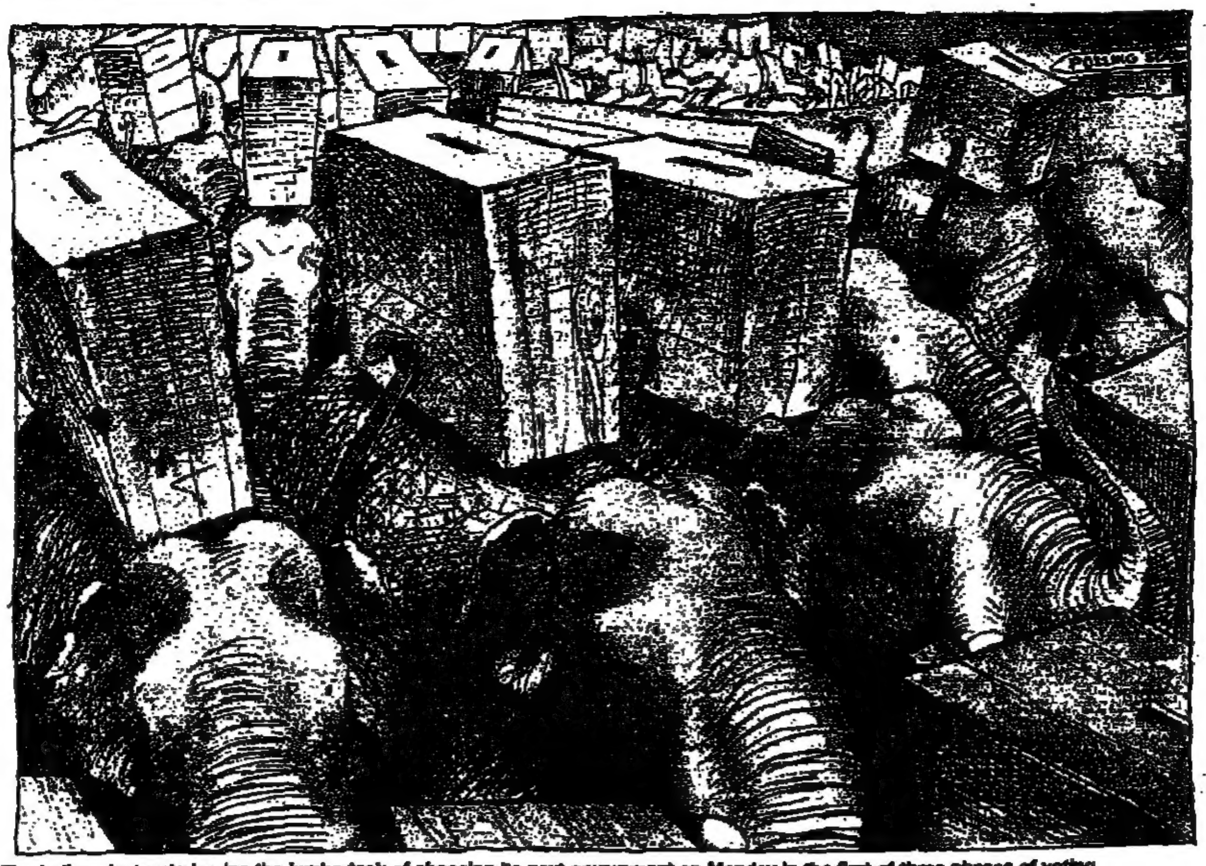
Company	Mid price	Change on day	Volume	High	Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT GUIDE TO THE WEEK

MONDAY 16

Democracy writ large

The world's biggest electorate begins the marathon task of choosing India's next government as voters in 222 of the country's 543 constituencies go to the polls. Altogether it will take four voting days to cover the country's vast and dispersed 600m electorate. A further 186 constituencies will poll on February 22 and another 132 on February 28. Three seats in the troubled north-eastern state of Jammu and Kashmir will go to the polls separately on March 7 for security reasons. Counting will, however, begin on March 2 and early results are expected in the small hours of the next day. Opinion polls suggest a close race between the Hindu nationalist Bharatiya Janata party and its allied parties and Congress, whose campaign has been unexpectedly lifted by the presence of Sonia Gandhi, the Italian-born widow of Rajiv Gandhi, the Congress leader killed in 1991 by Tamil Tiger suicide bombers. The polls suggest a hung parliament and another Indian coalition government. First clues will emerge on February 28, when the first exit poll results will be released.



The Indian electorate begins the jumbo task of choosing its next government on Monday in the first of three phases of voting

EU-US trust bid

European Union agriculture ministers start a two-day meeting in Brussels amid rising hopes that a breakthrough is near on a veterinary equivalency deal to boost trade. An agreement would allow the US and EU to give each other more authority to check meat and meat products before they are traded. As well as saving resources it would be viewed as symbolically significant at a time of a series of disputes between Washington and Brussels over farm trade.

IMF guest

European Union finance ministers meeting in Brussels will have lunch with Michel Camdessus, managing director of the International Monetary Fund, to discuss the Asian financial crisis. They will also discuss proposals from Mario Monti, EU single market commissioner, to reduce value added tax rates on labour-intensive services in an attempt to stimulate job creation in the services sector. Several member states, including Germany, have expressed reservations about the proposals.

Primakov goes to Athens

Russian foreign minister Yevgeny Primakov visits Athens for two days.

Slavonia check-up

The Organisation for Security and Co-operation in Europe (OSCE), United Nations High Commission for Refugees (UNHCR) and UN ambassadors visit Vukovar in Eastern Slavonia and assess the situation one month after the end of the UN mandate to return the province from UN to Croatian administration.

Wings of steel

Britain's largest sculpture, the 20m tall steel Angel of the North by Antony Gormley, is unveiled in Gateshead, County Durham, where it will dominate a major junction of the main road linking London with the north of the country. The angel, which has cost £800,000 and weighs 200 tonnes, has a wingspan almost equal to that of a Boeing 747.

Quebec secession bid

The Ottawa supreme court hears a week-long case on whether Quebec can legally secede unilaterally from Canada.

Colombia visit

Uruguayan president Julio Mario Sanguinetti begins a two-day official visit to Bogotá.

Testing time

Cricket: Third Test, Trinidad and Tobago: West Indies v England. Third unofficial Test, Moratuwa: Sri Lanka A v England A (end). First Test, Johannesburg: South Africa v Pakistan.

Holidays

Lebanon, Lithuania.

TUESDAY 17

Russian report

Boris Yeltsin will make his state of the nation address to parliament charting the latest tack in Russia's erratic reforms. Russian financial markets will be particularly keen to hear Yeltsin's proposals for getting to grips with the country's runaway public finances. On the same occasion last year, he outlined an ambitious reform drive and later gave strong backing to his two young first deputy prime ministers, Anatoly Chubais and Boris Nemtsov. But in recent months Yeltsin has been veering away from radical reforms and has adopted a more gradualist approach.

Emission ambitions

European members of parliament begin a two-day debate in Strasbourg on plans that would tighten proposed controls on vehicle emissions to improve the quality of air. EU nations have approved curbs from 2000 that would cost more than Ecu80bn to implement over 15 years. If more than half of MEPs vote for the tougher package on Wednesday, their representatives will enter talks with the 15 countries on a compromise. The vehicle and petroleum industries are vigorously opposing any tightening.

IMF assessment

Michel Camdessus, managing director of the International Monetary Fund, visits Moscow for three days of talks with Russian president Boris Yeltsin and other senior government officials to assess the current Russian economic situation and discuss policies.

Holiday

Malta.

WEDNESDAY 18

Religious answers

George Carey, Archbishop of Canterbury, and James Wolfensohn, president of the World Bank, host two days of talks at Lambeth Palace in London on global poverty and development policies. The meeting will be attended by leading representatives of Bahai, Buddhist, Christian, Hindu, Jain, Jewish, Moslem, Sikh and Taoist faiths.

Return of Tomba

Alberto Tomba, Italy's greatest skiing star, is back for his fourth Olympics. He will be competing at Nagano in Japan in the slalom and the giant slalom, which gets under way today. He has won five gold medals in the last three Olympics.

Anti-global movement

Hundreds of anti-globalisation campaigners gather in Geneva for the first conference of People's Global Action, a group dedicated to non-violent protest against international trade. The week-long meeting will plan demonstrations intended to disrupt the 50th anniversary celebrations of the multilateral trading system hosted by the World Trade Organisation in Geneva in May. The group, which links organisations of peasants, students, indigenous peoples, trade unionists and squatters, says globalisation, liberalisation and privatisation are agents for growing inequality and exploitation.

FT Survey

Reporting Britain

Holidays

Japan, Cameroon, Iran, Liberia.

THURSDAY 19

Abduction probe

The Arab Organisation for Human Rights meets in Cairo to discuss a report on former Libyan foreign minister Mansour Kikhia, who was reported by the US to have been abducted with Egypt's help to Tripoli and then killed.

Under the hammer

A nine-day auction by Sotheby's of the contents of the Paris home of the late Duke and Duchess of Windsor opens in New York.

Back down to earth

After six months in space, Mir cosmonauts Anatoly Solovyov and Pavel Vinogradov begin their voyage home to Earth.

ASEM preparations

Preparatory talks for the ASEM summit of Asian and European countries in April are held in London.

Prisoners' tale

Tokyo court hears compensation claims from former prisoners of war.

Duty-free internet

The governing general council of the World Trade Organisation meets in Geneva to discuss a US proposal to make goods and services supplied on the internet duty-free. No country charges customs duties at the moment but, with the volume of internet commerce predicted to soar in the next few years, some WTO members may be reluctant to renounce taxation altogether. Also on the agenda is a US complaint that Ecuador has not fulfilled trade pledges made on entry to the WTO two years ago.

Cricket

New Zealand meets Zimbabwe in the first test at Wellington (to February 23).

Greens are go

Golf: Tucson, Arizona: Chrysler Classic (to February 22). Kapoli, Hawaii: Hawaiian Ladies Open (to February 21). Sydney: Canon Challenge (to February 22).

FRIDAY 20

War crimes sentence

A United Nations war crimes tribunal in The Hague is due to pass sentence on Drazen Erdemovic, a Bosnian Croat who has pleaded guilty to war crimes for his role in the massacre of Moslems at Srebrenica in 1995.

Football

Burkina Faso hosts the African Nations football championship which lasts a week.

SATURDAY 21

Fashion fixture

Once relegated to the role of a poor relation to the twice-yearly designer fashion shows in Paris, Milan and New York, London Fashion Week is now a firm fixture on the international fashion schedule. Nearly 50 designers will unveil their autumn collections at venues all over London in the next five days starting with Elspeth Gibson's Saturday morning presentation at Nobu, the minimally chic Japanese restaurant, and ending with Alexander McQueen's extravaganza on Wednesday evening.

Brainstormer

Pakistan prime minister Nawaz Sharif chairs a national convention in Islamabad which will make proposals for a new education policy.

Seven on Asia

The Group of Seven industrial nations meets in London for two days of discussions on Asia's economic crisis.

SUNDAY 22

Howard's way

Australian Prime Minister John Howard visits Malaysia. He later travels on to Papua New Guinea, where his visit is expected to provide an opportunity to renew relationships with prime minister Bill Skate. Australia is currently playing an important role in the Bougainville island peace talks.

Olympic flame dies

The Nagano winter Olympics' 16-day programme ends today when the symbolic fire is extinguished. The closing ceremony, attended by Emperor Akihito, will include displays by Salt Lake City where the next games take place.

Compiled by Roger Beale. Fax: (+44) (0)171 873 3196.

ECONOMIC DIARY

Other economic news

Monday: Wholesale prices are thought to have declined in Germany in January, helped by the impact of lower oil and commodity prices.
Tuesday: The growth rate of US industrial production is expected to have slowed a little in January, with capacity utilisation stable. Revenues from corporation and valued added tax should have allowed the UK government to repay a substantial amount of debt last month.
Wednesday: Aggressive New Year discounting is thought to have prompted a big rebound in UK retail sales in January, following a disappointing Christmas. US producer prices are thought to have fallen again last month, helped by lower commodity prices.
Thursday: The US trade deficit is forecast to have widened in December, after narrowing in the previous month. Initial unemployment claims in the US are expected to remain modest.
Friday: German M3 growth is thought to have slowed in January, looking at the annualised change since the fourth quarter of last year.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual	Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	Japan	Jan TYO department store sales**		-6.2%		UK	Jan M4 lending	£5.0bn	£5.6bnR
Feb 16	Canada	Dec manufacturing new orders	0.5%	-0.1%		US	Dec trade: goods & services	-$9.5bn	-$8.0bn
	Canada	Dec manufacturing shipments*	0.8%	-0.3%		US	Dec gds & srvcs export (bal of paymts)	$78.8bn	$79.2bn
Tues	Japan	Dec industrial production†		0.8%		US	Dec gds & srvcs import (bal of paymts)	$88.8bn	$87.2bn
Feb 17	Japan	Dec shipments†		1.2%		Canada	Dec merchandise exports†*	0.9%	1.5%
	UK	Public sector borrowing requirement	-£8.3bn	£1.4bn		Canada	Dec merchandise imports†*	1.0%	-0.9%
	US	Jan industrial production	0.3%	0.5%		Canada	Dec merchandise trade surplus	$1.0bn	$1.0bn
	US	Jan capacity utilisation	83.3%	83.4%		US	Feb Philadelphia fed index		17.3
	Japan	Jan money supply (M2+CD)**	3.6%	3.8%	Fri	Korea	Q4 gross domestic product**	5.5%	4.3%
	Japan	Jan broad liquidity**		3.3%	Feb 20	France	Dec industrial production†*	0.8%	-1.8%
Weds	Germany	Dec trade balance	DM10.5bn	DM13.1bn		France	Dec industrial production ex-energy*	0.8%	2.2%
Feb 18	Germany	Dec current account	DM1.0bn	DM2.8bn		Canada	Dec retail sales†*	1.0%	-1.2%
	Germany	Jan Ifo west business climate index	99.4	99.6	During the week...				
	Germany	Jan Ifo west balance format		4.4		Italy	Jan balance of payments		L4.0tn
	UK	Jan retail sales*	0.9%	-0.0%		Italy	Jan FX reserves		L184tn
	UK	Jan retail sales**	5.6%	5.4%		Italy	Dec trade balance (payments)		L1.9tn
	US	Jan producer price index	0.2%	-0.2%		Germany	Jan wholesale price index*	0.0%	0.4%
	US	Jan prod price index ex-food & energy	unch	-0.1%		Germany	Jan M3 from Q4 97 base	3.5%	n/a
	US	Jan housing starts	1.52m	1.52m		Germany	Jan M3 from Q4 96 base	4.8%	4.8%
	US	Jan building permits		1.49m		Germany	Jan private lending six month annually		6.0%
	Canada	Dec wholesale trade†*	0.9%	-0.8%		Germany	Jan producer price index*	0.1%	-0.1%
	Canada	Dec wage settlement increase**	1.7%	1.7%		Germany	Jan producer price index**	0.9%	1.1%
	Japan	Jan trade balnce customs cleared nott	¥232bn	¥0.4bn		Germany	Dec capital account		-3.0bn
Thurs	UK	Jan M4*	0.6%	1.0%R		Germany	Jan Ifo consumer climate		93
Feb 19	UK	Jan M4**	10.6%	11.4%R					

*month on month, **year on year, † seasonally adjusted. Statistics, courtesy Standard & Poor's MMS.

MONDAY PRIZE CROSSWORD

No.9,608 Set by DANTE

A magnum of Laurent Perrier Rosé champagne for the first correct solution opened. This prize is available only to winners living in England, Scotland and Wales. Winners with overseas addresses will receive a stainless steel FT desk clock. Solutions by Thursday February 26, marked Monday Crossword 9,608 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday March 2. Please allow 28 days for delivery of prizes.

Name..........

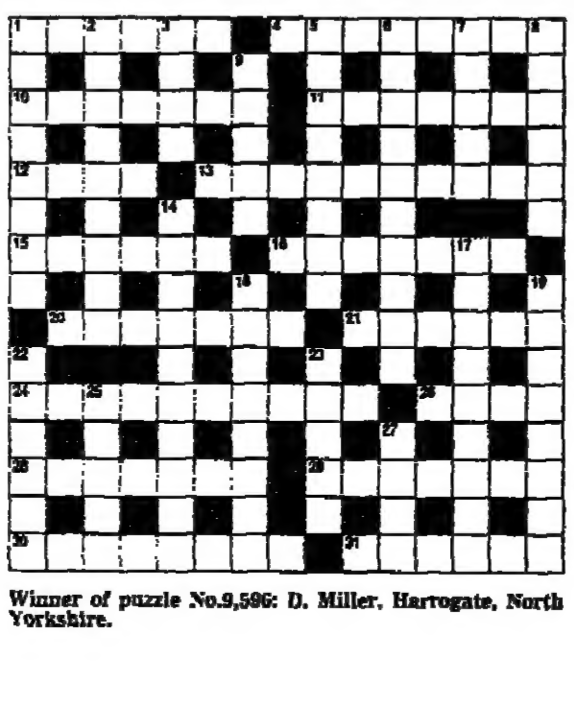
Address..........

ACROSS

1 Diving attempt at goal (6)
4 Giant firm states no profit is included (8)
10 An upholder of the bible (7)
11 1,000 is appropriate (7)
12 Tend to object (4)
13 Create pure chaos, but improve (10)
15 Running shoes have these laces (6)
16 Chair or soft settle (7)
20 Takes turns off and relaxes (7)
21 Sort of revenue not collected from coastal areas? (6)
24 Unhealthy antagonism? (3-7)
26 It turns on an opponent (4)
28 Vet gets bug out of parrot's head (7)
29 Security is brought back in store (7)
30 A favour likely to gain applause? (4,4)
31 Taken out from the Red Sea (6)

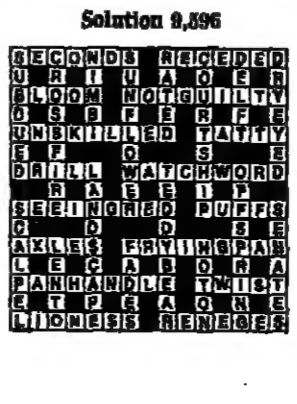
DOWN

1 Position of respect on the staff (4-4)
2 Noises can trouble an isolated island (9)
3 Observers usually working in pairs (4)
5 Late item for the press (8)
6 Pop-singer's dreadfully overbearing (10)
7 Bath's sex appeal girl (5)
8 Waterlogged turf needs study (6)
9 In S. America they run north-south as well as east-south (5)
14 An improvement in culture (10)
17 Doctor agonised over second opinions (9)
18 Fashionably tailored, he's concerned with his image (8)
19 Taken for granted (8)
22 Hot music? (6)
23 Coming from Denis, such remarks aren't nice (5)
25 See someone stupid caught in a snare (5)
27 Knocks over box (4)



Winner of puzzle No.9,596: D. Miller, Harrogate, North Yorkshire.

Solution 9,596



JOTTER PAD